Taxation of international executives: Philippines

February 2024

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KPMG

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Overview and Introduction

1 Overview and Introduction

The official currency of the Philippines is the Philippine Peso (PHP).

Herein, the host country/jurisdiction refers to the country/jurisdiction to which the employee is assigned. The home country/jurisdiction refers to the country/jurisdiction where the assignee lives when they are not on assignment.

02

Income tax

2 Income Tax

2.1 Tax Returns and Compliance

When are tax returns due? That is, what is the tax return due date?

The Philippine Annual Income Tax Return (BIR Form 1700) is filed, and taxes are due to the Philippine Bureau of Internal Revenue (BIR) on or before 15 April of the year following the applicable calendar year.

What is the tax year-end?

The tax year is a calendar year which ends 31 December of each year.

What are the compliance requirements for tax returns in the Philippines?

Every person subject to any internal revenue tax shall register once with the appropriate Revenue District Officer (RDO).

Tax returns are filed and paid either electronically or manually **to the BIR, or through any Authorized Agent Bank (AAB) or authorized tax software provider.**

Residents and non-residents

Every individual citizen, alien residing in the Philippines, and every non-resident alien engaged in trade or business in the Philippines, who is receiving income, whether it constitutes the sole source of their income or in combination with salaries, wages, and other fixed or determinable income, is required to file an income tax return on or before 15 April of each year covering income for the preceding taxable year. The tax year runs from 1 January to 31 December of each year. The tax return to be filed declares the total amount of income earned by the individual and any unpaid tax is settled at the time the return is filed. A citizen or a resident alien is not required to file the annual individual income tax return if they qualify for the substituted filing. A non-resident alien engaged in trade or business, however, does not qualify for substituted filing.

Substituted filing applies to citizens or resident individuals who meet all the following conditions:

- the employee receives purely compensation income
- the employee receives the income from one employer in the Philippines
- the amount of tax due from the employee at the end of the year equals the amount of tax withheld by the employer
- the employee's spouse, if earning income, also complies with all the three conditions stated earlier
- the employer files the Annual Information Return of income Taxes Withheld on Compensation and Final Withholding Taxes (BIR Form Nos. 1604C and 1604F)
- the employer issues the Certificate of Compensation Payment/Tax Withheld (BIR Form 2316) to each employee.

Tax returns need not be filed by the following categories of individual:

- those earning purely compensation income whose taxable income does not exceed two hundred fifty thousand pesos (250,000.00 Philippine peso (PHP))
- those whose sole income has been subjected to final withholding tax such as interest, prizes, winnings, royalties, and dividends
- non-resident aliens not engaged in trade or business on their compensation income
- minimum wage earners as defined under the Tax Code.

- an individual citizen of the Philippines who is working and deriving income solely from abroad as an “Overseas Contract Worker (OCW)” or “Overseas Filipino Worker” as defined under Section 3(G) of RA No. 11641, or the “Department of Migrant Workers Act”.

2.2 Tax rates

What are the current income tax rates for residents and non-residents in Philippines?

The income tax rates on employment income and from a business or exercise of a profession are as follows.

Residents

Income tax table for 1 January 2023 onwards

Income tax table for 2024

Taxable income bracket		Total tax income below bracket	Tax rate on income in bracket
From PHP	To PHP	PHP	Percent
0	250,000		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

Non-residents

Same graduated rates apply as per section above, except non-resident aliens not engaged in trade or business in the Philippines which are subject to a flat rate of 25 percent based on gross income.

2.3 Residence rules

For the purposes of taxation, how is an individual defined as a resident of the Philippines?

For tax purposes, an individual may be classified as one of the following:

- resident citizen
- non-resident citizen
- resident alien
- non-resident alien engaged in trade or business
- non-resident alien not engaged in trade or business.

A resident citizen is taxable on all income derived from worldwide sources. For the other categories, the individual is taxable only on income derived 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 payer’s place of residence.

A non-resident alien is deemed engaged in trade or business if, in any calendar year, they stay in the Philippines for an aggregate period of more than 180 days. If the non-resident alien individual’s stay for an aggregate period of 180 days or less during any calendar year, then they are deemed not to be engaged in trade or business.

For resident citizens, non-resident citizens, resident aliens, and non-resident aliens engaged in trade or business, income tax is calculated on the basis of net taxable income at graduated rates ranging from 0 percent to a maximum of 35 percent. (Please see the discussion on General Deductions from Income for what constitutes net taxable income.)

Non-resident aliens not engaged in trade or business are subject to tax at 25 percent of their gross income.

Is there, a de minimums number of days rule when it comes to residency start and end date? For example, a taxpayer can't come back to the host country/jurisdiction for more than 10 days after their assignment is over and they repatriate.

There is no de minimus number of days presence in the Philippines. One day spent is generally taxable in the Philippines. Aliens on assignment in the Philippines for a period of more than 2 years are generally considered as residents at the start of their assignment in the Philippines and remain as such until departure from the Philippines at the end of the assignment.

What if the assignee enters the country/jurisdiction before their assignment begins?

If the assignee arrives in the Philippines prior to their assignment, their actual days spent in the Philippines (that is, physical presence in the Philippines) will determine their residency/non-residency status, notwithstanding the start date of their Philippine assignment.

2.4 Termination of residence

Are there any tax compliance requirements when leaving the Philippines?

An alien who has acquired a resident status in the Philippines for tax purposes retains such tax status until they actually depart from the Philippines at the end of their assignment. There are no special requirements to be observed for tax purposes on leaving the Philippines other than those described in the section above.

What if the assignee comes back for a trip after residency has terminated?

If the assignee comes back to the Philippines after their residency status in the Philippines has terminated, the determination of their new residency status will commence from the day the individual actually arrives in the country/jurisdiction.

Communication between immigration and taxation authorities

Do the immigration authorities in the Philippines provide information to the local taxation authorities regarding when a person enters or leaves the Philippines?

No. However the two agencies may coordinate on certain transactions such as visa renewal. The immigration authorities may also require the submission of income tax return filed with the tax authorities.

2.5 Economic employer approach

Do the taxation authorities in the Philippines adopt the economic employer approach to interpreting Article 15 of the Organization for Economic Co-operation and Development (OECD) treaty? If no, are the taxation authorities in the Philippines considering the adoption of this interpretation of economic employer in the future?[1]

Yes, the economic employer approach is being adopted by tax authorities such that when there is a recharge of remuneration cost to the Philippine entity, then the host entity is considered to be the economic employer and the employee cannot claim tax exemption, regardless of the duration of their stay in the Philippines.

De minimus number of days

Are there a de minimus number of days before the local taxation authorities will apply the economic employer approach? If yes, what is the de minimus number of days?[2]

None. Theoretically, the compensation charged to the local employer is taxable to the employee regardless of the number of days they are present in the Philippines during the fiscal year.

2.6 Types of taxable compensation

What categories are subject to income tax in general situations?

Gross compensation income is defined as taxable income arising from an employer/employee relationship and includes the following:

- salaries, wages, compensation, commissions, emoluments, and honoraria bonuses and other benefits exceeding PHP90,000
- allowances for transportation, representation, entertainment, and other similar items
- fees (including director's fees paid to a director who is at the same time an employee of the payer)
- taxable pensions taxable retirement pay
- other income of a similar nature, including compensation paid in-kind.

Intra-group statutory directors

Will a non-resident of the Philippines who, as part of their employment within a group company, is also appointed as a statutory director (i.e., member of the Board of Directors in a group company situated in the Philippines) trigger a personal tax liability in the Philippines, even though no separate director's fee/remuneration is paid for their duties as a board member?

- **Will the taxation be triggered irrespective of whether or not the board member is physically present at the board meetings in the Philippines?**

  No.

- **Will the answer be different if the cost directly or indirectly is charged to/allocated to the company situated in the Philippines (i.e., as a general management fee where the duties rendered as a board member is included)?**

[1] Certain tax authorities adopt an "economic employer" approach to interpreting Article 15 of the OECD model treaty which deals with the Dependent Services Article. In summary, this means that if an employee is assigned to work for an entity in the host country/jurisdiction for a period of less than 183 days in the fiscal year (or, a calendar year of a 12-month period), the employee remains employed by the home country/jurisdiction employer but the employee's salary and costs are recharged to the host entity, then the host country/jurisdiction tax authority will treat the host entity as being the "economic employer" and therefore the employer for the purposes of interpreting Article 15. In this case, Article 15 relief would be denied, and the employee would be subject to tax in the host country/jurisdiction.

[2] For example, an employee can be physically present in the country/jurisdiction for up to 60 days before the tax authorities will apply the 'economic employer' approach.

Yes, the director's fees constitute an income for the Board of Directors (BOD), and as such, subject to income taxes. For tax purposes, the tax rates would depend on whether or not the BOD serves as a Director only or as a Director and employee of the company.

- **In the case that a tax liability is triggered, how will the taxable income be determined?**

  Generally, the amount recharged to the Philippine entity is taxable regardless of the number of days they are present in the Philippines during the year.

2.7 Tax-exempt income

Are there any areas of income that are exempt from taxation in the Philippines? If so, please provide a general definition of these areas.

Gross income subject to tax does not include the following:

- Proceeds of life insurance policies
- Amount received by insured as return of premium
- gifts, bequests, and devises
- compensation for injuries or sickness
- income exempt under treaty
- retirement benefits, pensions, and gratuities, etc.
- Miscellaneous items:
  - Income derived by foreign government
  - Income derived by the government or its political subdivisions prizes and awards exempted by law
  - prizes and awards in sports competition
  - 13th month pay and other benefits subject to the PHP90,000 limit GSIS, SSS, Medicare and other contributions
  - Gains from sale of bonds, debentures, or other certificate of indebtedness with a maturity of more than 5 years
  - Gains from redemption of shares in mutual fund.

Certain employer provided housing allowances (employer's contribution to rent)

Housing allowances provided to expatriates are generally considered as fringe benefits subject to FBT. If the housing allowance is higher than the actual rent, the excess is considered as part of compensation subject to withholding tax on compensation.

Certain employer provided housing allowances (cost of utilities)

The full amount of the utilities paid by the employer to or on behalf of the employee is a taxable fringe benefit.

Living away from home allowance (LAFHA)

The full amount of the LAFHA paid by the employer to or on behalf of the employee is taxable compensation subject to withholding tax on compensation.

Certain employer provided tax reimbursements

The grossed-up tax is included in the taxable compensation of the expatriate-employee.

Certain employer provided relocation reimbursements

Airfare and other transportation expenses incurred by the taxpayer for moving from old post to new post (such as the Philippines) as well as the costs of shipment of household goods and personal effects are generally exempt from tax, subject to certain substantiation requirement. On the other hand, moving allowance or unsubstantiated expenses are taxable.

Home leave

The full amount of the home leave paid by the employer to or on behalf of the employee is a taxable fringe benefit.

Certain employer provided education costs

The cost of the educational assistance to the employee, which is borne by the employer shall, in general, be treated as taxable fringe benefit. However, a scholarship grant to the employee by the employer shall not be treated as taxable fringe benefit if the education or study involved is directly connected with the employer's trade, business or profession, and there is a written contract between them that the employee is under obligation to remain in the employ of the employer for period of time that they have mutually agreed upon. In this case, the expenditure shall be treated as incurred for the convenience and furtherance of the employer's trade or business.

The cost of educational assistance extended by an employer to the dependents of an employee shall be treated as taxable fringe benefits of the employee unless the assistance was provided through a competitive scheme under the scholarship program of the company.

Certain bonus payments

13th-month pay and other benefits such as productivity incentives and Christmas bonus up to ninety thousand pesos (PHP90,000) are considered an exclusion from gross income. The portion thereof in excess of PHP90,000 forms part of taxable compensation.

Benefits received by an employee by virtue of a collective bargaining agreement (CBA) and productivity incentive schemes shall be considered as de minimis benefits not subject to income tax provided that the total annual monetary value received from both CBA and productivity incentive schemes combined do not exceed ten thousand pesos (PHP10,000) per employee per taxable year.

Certain interest subsidies

If the employer lends money to their employee free of interest or at a rate lower than 12 percent per year, such interest foregone by the employer, or the difference of the interest assumed by the employee and the 12 percent interest rate shall be treated as a taxable fringe benefit.

Certain auto allowances

A cash auto-allowance provided to the employee will form part of their taxable compensation income unless it is shown that the allowance is used by the employee in the performance of their duties, in which case the allowance is considered as ordinary and necessary business expense of the company.

2.8 Health insurance

The cost of life or health insurance and other non-life insurance premiums borne by the employer for the group insurance of their employees are treated as non-taxable fringe benefit and likewise not included in the taxable compensation of the employee.

2.9 Expatriate concessions

Are there any concessions made for expatriates in the Philippines?

None.

2.10 Salary earned from working abroad

Is salary earned from working abroad taxed in the Philippines? If so, how?

Citizens who are working abroad are generally considered non-resident citizens of the Philippines and hence are exempt from Philippine income tax on salary earned from working abroad as well as other income from foreign-sources. An alien individual, whether resident or not of the Philippines, is taxable only on income from sources within the Philippines; hence, aliens are exempt from Philippine income tax on salaries earned from working abroad.

2.11 Taxation of investment income and capital gains

Are investment income and capital gains taxed in the Philippines? If so, how?

Business income, which is a broadly defined term covering all gains, profit and income of whatever kind and in whatever form derived from any source within the Philippines is generally taxable at graduated tax rates of 0 percent to 35 percent.

Gains arising from the disposal of capital assets are also subject to income tax. Capital assets are defined as property held by the taxpayer (whether or not connected with their trade or business), but do not include stock-in-trade of the taxpayer or other similarly held property or property used in trade or business of the taxpayer, real or personal, which may be subject to allowance for depreciation.

If the property which is disposed of by a taxpayer has been held for not more than 12 months, the gain is taxed in full. If held for more than 12 months, only 50 percent of the gain is subject to tax.

The following capital gains are not subject to a holding period and are subject to special capital gains tax rates:

- capital gains realized from the sale, exchange, or disposition of shares of stock in any domestic corporation are subject to a final tax rate of 15 percent.
- on shares of stock listed and traded through a local stock exchange, the rate is 0.006 percent of the gross selling price.
- capital gains from the sale of real property located in the Philippines classified as capital assets by individuals are subject to a capital gains tax of 6 percent based on gross selling price or the current fair market value, whichever is higher at the time of sale.

Dividends, interest, and rental income

On sources from within the Philippines, certain passive income like interest from any Philippine currency bank deposit and yield or any other monetary benefit from deposit substitutes, trust funds and similar arrangements, royalties, prizes exceeding PHP10,000, and other winnings are subject to a final withholding tax of 20 percent. The tax is 25 percent if the recipient is a non-resident alien not engaged in trade or business.

Dividends from a domestic corporation or the share of an individual partner in a partnership subject to tax received by citizens and residents are subject to income tax at 10 percent and 25 percent if the recipient is a non-resident alien not engaged in trade or business.

Interest income received by an individual taxpayer (except a non-resident individual) from a depository bank under the expanded foreign currency deposit system shall be subject to a final income tax at the rate of 15 percent of such interest income. Provided that interest income from long-term deposit or investment in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts and other investments evidenced by certificates in such form prescribed by the Bangko Sentral ng Pilipinas (BSP) shall be exempt from the tax. Provided further that should the holder of the certificate pre- terminate the deposit or investment before the fifth (5th) year, a final tax shall be imposed on the entire income and shall be deducted and withheld by the depository bank from the proceeds of the long-term deposit or investment certificate based on the remaining maturity thereof.

On rental income, please see previous discussion under the taxation of investment income and capital gains.

Gains from stock option exercises

Generally, gains from stock option exercise are considered as taxable if they are attributable to services rendered in the Philippines. Gains derived from stock options granted to employees regardless of the position shall be treated as compensation income subject to withholding tax on compensation.

Moreover, for migrating employees, a portion of the income from the exercise of stock option would be considered as taxable subject to Philippine income tax, if at any time during the period between the grant and vesting dates, the employees had performed personal services in the Philippines (such as assigned in the Philippines).

Residency status	Taxable at:		
	Grant	Vest	Exercise
Resident	N	N	Y
Non-resident	N	N	Y
Other (if applicable)	N/A	N/A	N/A

Foreign exchange gains and losses

In relation to business income of the taxpayer, only those that are realized are taxable gains and tax-deductible losses.

Principal residence gains and losses

See discussion on capital gains from sale of real property under the taxation of investment income and capital gains.

Capital losses

Losses resulting from the sale or exchange of capital assets shall be allowed as deduction only to the extent of the gains from such sales or exchanges.

Personal use items

See discussion on gains arising from the disposal of capital assets under the taxation of investment income and capital gains.

Gifts

Gifts are subject to donor's tax. The tax is levied, assessed, collected and paid upon the transfer by any person, resident, or non-resident, of the property by gift, at a flat rate of six percent on total donations for gifts above PHP250,000 yearly regardless of relationship to the donor.

2.12 Additional capital gains tax (CGT) issues and exceptions

Are there additional capital gains tax (CGT) issues in the Philippines? If so, please discuss?

None.

Are there capital gains tax exceptions in the Philippines? If so, please discuss?

The Philippines has tax treaties with several countries/jurisdictions. Under these tax treaties, capital gains derived by residents of the other contracting states from the alienation of properties (other than immovable properties) are not taxable in the Philippines.

Pre-CGT assets

Not applicable.

Deemed disposal and acquisition

Not applicable.

2.13 General deductions from income

What are the general deductions from income allowed in the Philippines?

Net taxable income is determined by deducting the allowable deductions from gross income. For individual taxpayers who earn solely compensation income, they are entitled to deduct from their gross earnings the PHP90,000 maximum exclusion of their 13th month pay and other benefits.

Individuals deriving business income are allowed to deduct all the ordinary and necessary expenses paid or incurred in carrying on or which are directly attributable to the carrying on of the development, management, operation, and/or conduct of their trade, business, or profession.

2.14 Tax reimbursement methods

What are the tax reimbursement methods generally used by employers in the Philippines?

Most multinational companies in the Philippines adopt the tax equalization policy on their inbound and/or outbound assignees.

2.15 Calculation of estimates/ prepayments/ withholding

There are no tax estimates/prepayments in the Philippines. Generally, the employer withholds taxes upon payment of the compensation to the employee based on a graduated withholding tax table with rates from 0 percent to 35 percent on net taxable compensation, effective 1 January 2018.

PAYG instalments

The Philippines adopts the pay-as-you-file system with regard to income taxes.

When the tax due is in excess of PHP2,000, the individual taxpayer may elect to pay the tax in two equal instalments. The first instalment shall be paid at the time the return is filed (on or before 15 April) and the second instalment is paid on or before 15 October following the close of the calendar year.

When are estimates/prepayments/withholding of tax due in the Philippines? For example: monthly, annually, both, and so on.

Local employers are responsible for the withholding and remittance of the correct amount of tax from the compensation income of their employees. The tax withheld has to be remitted to the BIR within 10 days after the close of each calendar month, except for the withholding tax for the month of December, which must be paid not later than 15 January of the following year, to the authorized agent bank or collection agent of the BIR. However, if the local employer is enrolled under the Electronic Filing and Payment System (EFPS), the deadline for electronically filing the applicable withholding tax returns and paying the taxes due thereon shall be 5 days later than the deadline set above. If the employer fails to withhold and remit the correct amount of tax, such tax shall be collected from the employer together with the penalties or additions to the tax otherwise applicable.

The local employer is required to report the amount of compensation income tax withheld for the year using BIR Form 1604C (Annual Information Return of Income Tax Withheld on Compensation) and/or BIR Form No. 1604F (Annual Information Return of Final Withholding Taxes) on or before 31 January of the year following the taxable year.

The amount of taxes withheld by the employer is creditable against the annual income tax due of the employee.

2.16 Relief for foreign taxes

Is there any Relief for Foreign Taxes in the Philippines? For example, a foreign tax credit (FTC) system, double taxation treaties, and so on?

In case of tax resident citizens of the Philippines, the amount of income taxes paid during the taxable year to any foreign country/jurisdiction may be used as credits against Philippine income taxes.

The Philippines has tax treaties with 43 countries/jurisdictions. There are complex regulations and rates vary depending upon the status of the recipient and the nature of the income. Tax treaty relief, however, is not automatic. A tax treaty relief application process should be complied with.

2.17 General tax credits

What are the general tax credits that may be claimed in the Philippines? Please list below.

Tax credits that may be claimed in the Philippines are:

- compensation income tax withheld by the employer
- income taxes paid by resident citizens to any foreign country/jurisdiction.

2.18 Sample tax calculation

This calculation assumes a married taxpayer resident in the Philippines with two children whose 3- year assignment begins 1 January 2022 and ends 31 December 2024. The taxpayer's base salary is 100,000 US dollars (USD) and the calculation covers 3 years.[3]

Calendar	2022 USD	2023 USD	2024 USD
Salary	100,000	100,000	100,000
Bonus	20,000	20,000	20,000
Cost-of-living allowance	10,000	10,000	10,000
Housing allowance	12,000	12,000	12,000
Company car	6,000	6,000	6,000
Moving expense reimbursement	20,000	0	20,000
Home leave	0	5,000	0

[3] Sample calculation generated by R.G. Manabat & Co., the Philippine member firm affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity, based on the Republic of the Philippines Bureau of Internal Revenue

Education allowance	3,000	3,000	3,000
Interest income from non-local sources	6,000	6,000	6,000

Exchange rate used for calculation: USD1 = PHP50.

Other assumptions

- All earned income is attributable to local sources.
- Bonuses are paid at the end of each tax year and accrue evenly throughout the year. Interest income is not remitted to the Philippines.
- The company car is used for business and private purposes and originally cost USD50,000. The employee is deemed resident throughout the assignment.
- Tax treaties and totalization agreements are ignored for the purpose of this calculation.

Calculation of taxable income

Year-ended 31 March	2022 PHP	2023 PHP	2024 PHP
Days in the Philippines during year	**365**	**365**	**365**
Earned income subject to income tax			
Salary	5,000,000	5,000,000	5,000,000
Bonus*	910,000	910,000	910,000
Cost-of-living allowance	500,000	500,000	500,000
Net housing allowance	0	0	0
Company car	0	0	0
Moving expense reimbursement	0	0	0
Home leave	0	0	0
Education allowance	0	0	0
Total earned income	6,410,000	6,410,000	6,410,000
Other income	0	0	0
Total income	6,410,000	6,410,000	6,410,000
Total taxable income	6,410,000	6,410,000	6,410,000

*Net of non-taxable portion of bonus amounting PHP90,000.

Calculation of tax liability

Year-ended 31 March	2022 PHP	2023 PHP	2024 PHP
Taxable income as above	6,410,000	6,410,000	6,410,000
Philippine tax thereon	1,901,200	1,725,500	1,725,500

Year-ended 31 March	2022 PHP	2023 PHP	2024 PHP
Less:			
Domestic tax rebates (dependent spouse rebate)	0	0	0
Foreign tax credits	0	0	0
Total Philippine tax	1,901,200	1,725,500	1,725,500

- Housing allowance, home leave, company car and education allowance are subject to Fringe Benefit Tax (FBT), which is a tax borne by the employer.
- Moving expense reimbursement is an exempt income of the employee. The employer can claim the same as a business expense, subject to the substantiation requirements.
- Interest income from non-local sources (that is, foreign source) is non-taxable income to an alien individual.

03

Special considerations for short term assignments

3 Special considerations for short-term assignments

For the purposes of this publication, a short-term assignment is defined as an assignment that lasts for less than 1 year.

3.1 Residency rules

Are there special residency considerations for short-term assignments?

None.

3.2 Payroll considerations

Are there special payroll considerations for short-term assignments?

None.

3.3 Taxable income

What income will be taxed during short-term assignments?

Technically, all compensation income received relative to the short-term assignment in the Philippines is taxable in the country/jurisdiction.

3.4 Additional considerations

Are there any additional considerations that should be considered before initiating a short- term assignment in the Philippines?

Arrival date

Where there is a tax treaty between the home country/jurisdiction and the Philippines, and the employee spends less than 90 days or 183 days (depending on the tax treaty wording) in the Philippines in a given tax year, the criteria for tax exemption may be met and such that the income attributable to the Philippines will not be taxed.

Condition

Treaty article conditions on exemption from tax must be satisfied and a tax treaty relief application process should be complied with.

Non-resident tax rates

For expatriates who are residents of non-treaty countries/jurisdictions or treaty countries/jurisdictions who does not satisfy conditions of treaty, and who stay in the Philippines for 180 days or less in the calendar year concerned, the tax rate is 25 percent of gross income.

Exclusions of income from taxation based on source of income compensation

Income of taxpayers may be excluded from taxation if it is attributable to services performed in countries/ jurisdictions other than the Philippines except for resident citizens.

04

Other taxes and levies

4 Other taxes and levies

4.1 Social security tax

Are there social security/social insurance taxes[4] in the Philippines? If so, what are the rates for employers and employees?

The Social Security System (SSS) is compulsory to all employees aged 60 or less and their employers. Self-employed persons may choose to be covered on a voluntary basis.

Contributions to the SSS are made both by employees, by deduction from their salaries, and by employers, who are responsible for remitting the contributions. Membership with the SSS gives automatic membership with the Employees’ Compensation Program.

Beginning January 2023, members of the SSS with monthly salary credit or MSC of over PHP20,000 will be enrolled to a new mandatory provident fund.

The maximum monthly contributions for each employee under each program are as follows:

Employer and employee

Type of insurance	Paid by employer	Paid by employee	Total
Social security	1,900.00	900.00	2,800.00
Employees' compensation	30.00	0.00	30.00
Mandatory Provident Fund	950.00	450.00	1,400.00
Total contribution	2,850.00	1,350.00	4,230.00

Services performed in the employ of a foreign government or international organization or their wholly owned agencies/subsidiaries/branches are exempted from the social security levies.

Home Development Mutual Fund (HDMF) contribution

2 percent of the monthly income. The maximum monthly compensation used in computing the employee contributions is set as PHP10,000. As such, the maximum member contribution and employer counterpart per month are each PHP200 beginning February 2024.

Moreover, Home Development Mutual Fund (HDMF) issued Circular No. 421, dated 16 January 2019, instructing all affected employers to stop deducting contributions from all expatriates under their employ. The refund of contributions and accrued dividends from expatriates shall be processed upon filing of corresponding applications for claim. However, the HDMF has not yet released the guidelines on how to process the refund claims and which period is subject to the refund.

PhilHealth contribution

-Pursuant to PhilHealth Regional Office NCR Advisory No. 2024-002, effective January 1, 2024, the scheduled PhilHealth premium increase will be implemented in accordance with Section 10 of the Universal Health Care Law. As mandated, the premium contribution rate for Calendar Year 2024 is set at 5% of the basic monthly income, with an income floor of Php10,000.00 and an income ceiling of Php100,000.00.

As such, the maximum member contribution and employer counterpart per month are PHP 2,500.00 each.

[4] Republic of the Philippines Social Security System.

4.2 Gift, wealth, estate, and/or inheritance tax

Are there any gift, wealth, estate, and/or inheritance taxes in the Philippines?

Estate tax is imposed upon the transfer of the net estate of every decedent (resident or non-resident of the Philippines) a tax at the rate of six percent (6%) based on the value of such net estate.

The value of the gross estate of the decedent shall be determined by including the value at the time of his death of all property, real or personal, tangible or intangible, wherever situated: Provided, however, that in the case of a non-resident decedent who at the time of his death was not a citizen of the Philippines, only that part of the entire gross estate which is situated in the Philippines shall be included in his taxable estate.

Among the deductions allowed to the estate are:

1. For citizen or resident of the Philippines - a standard deduction equivalent to five million (P5,000,000.00) and family home (amount equivalent to the current fair market value of the decedent's family home: Provided, however, that if the said current fair market value exceeds Ten million pesos (P10, 000,000), the excess shall be subject to estate tax.

2. For non-resident - a standard deduction equivalent to five hundred thousand (P500,000).

Donor's tax: (a) is imposed upon the transfer by any person, resident or non-resident, of the property by gift, a tax, computed as provided in the tax regulations (b) shall apply whether the transfer is in trust or otherwise, whether the gift is direct or indirect, and whether the property is real or personal, tangible or intangible.

In general, the tax for each calendar year shall be six percent (6%) computed on the basis of the total gifts in excess of P250,000 exempt gift made during the calendar year.

4.3 Real estate tax

Are there real estate taxes in the Philippines?

Yes. The primary responsibility for the proper, efficient, and effective administration of real property tax, subject to the rules and regulations governing the classification, appraisal and assessment of real property issued by the Department of Finance (DOF), is borne by the provinces and cities, including municipalities within Metro Manila.

4.4 Sales/VAT tax

Are there sales and/or value-added taxes in the Philippines?

The VAT is levied, assessed and collected on every sale, barter or exchange of goods or properties at the rate of 12 percent of the gross selling price or gross value in money of the goods or properties sold, bartered or exchanged such tax to be paid by the seller or transferor.

4.5 Unemployment tax

Are there unemployment taxes in Philippines?

None.

4.6 Other taxes

Are there additional taxes in the Philippines that may be relevant to the general assignee? For example, customs tax, excise tax, stamp tax, and so on.

Local taxes

There are no local taxes imposed on income of individuals in the Philippines. However, certain individuals are required to pay a basic community tax of PHP5 plus an annual additional tax not exceeding PHP5,000, computed at PHP1 for every PHP1,000 of income.

Foreign Financial Assets

Is there a requirement to declare/report offshore assets (e.g., foreign financial accounts, securities) to the country/jurisdiction's fiscal or banking authorities?

None, in general.

Important Updates

The Ease of Paying Taxes (EOPT) Act was signed into law as Republic Act No. (RA) 11976 on 5 January 2024. The law will take effect on 22 January 2024.

The *EOPT Act* focuses on modernizing tax administration by encouraging efficient and cost-effective compliance, updating the taxation system, and implementing tailored policies for different types of taxpayers. The implementing rules for *EOPT Act* implementation has yet to be issued. This publication may need to be updated.

05

Immigration

5 Immigration

Following is an overview of the concept of Philippine's immigration system for skilled labor.

(E.g., which steps are required, authorities involved, in-country/jurisdiction and foreign consular processes, review/draft flow chart illustrating the process)

This summary provides basic information regarding business visits to, and work authorization for the Philippines. The information is of a general nature and should not be relied upon as legal advice.

Generally, a visa is required before a foreign national can enter into the country/jurisdiction. However, due to treaties with other countries/jurisdictions, some foreign nationals are allowed to enter the country/jurisdiction without a visa provided that they will only stay during the free visa entry period.

All foreign nationals who intend to engage in active, productive employment in the Philippines will need a working visa and/or working permit. Depending on the types of activities, business

registration type of the local sponsor company and length of assignment, there are different types of visas that will apply to the occasion, and which vary in their processes and processing times.

All working visa/permit and resident permit applications can only be processed in the Philippines Bureau of Immigration (BI) or its extension offices around the Philippines.

5.1 International Business Travel/Short-Term Assignments

Describe (a) which nationalities may enter the Philippines as non-visa national, (b) which activities they may perform and (c) the maximum length of stay.

Non-visa required nationals (non-restricted) can enter and stay in the Philippines without a visa for 30 days to 59 days. Refer to Annex A for the list of countries/jurisdictions as well as the number of days that they are allowed to stay visa-free.

Business visitors who are granted 30 days visa-free entry can apply for a visa waiver which will allow them for an additional 29 days to stay in the Philippines. If additional days are required, a 9(A) temporary visitor's visa must be applied for and can be extended for 36 consecutive months.

Business visitors should limit their activities to the following:

- Attending information sharing business meetings, seminars or conferences
- Negotiating contracts as an isolated transaction
- Exploring new business opportunities in the Philippines
- Making site visits to internal or client facilities or plants
- Attending sales calls to potential Philippine's clients, provided that the employee is representing a commercial entity outside of the Philippines

The Special Working Permit (SWP) is a short-term work permit granted for 3 months and can be extended for another 3 months for a maximum of 6 months. The SWP is issued to foreign nationals engaged in the following activities outside of an employment arrangement:

- professional athletes, coaches, trainers, and assistants;
- international performers with exceptional abilities;

- artist, performers and their staff, who perform before an audience for a fee, subject to compliance with the requirements of the concerned agency, office or body;
- service suppliers coming primarily to perform temporary services and who do not receive salary or other remuneration from a Philippine source other than expenses incidental to their temporary stay;
- treasure hunters authorized to search for hidden treasure with permit from the concerned government agencies and instrumentalities;
- movie and television crews authorized to film in the country by the relevant regulatory office, body or agency;
- foreign journalist practicing their profession or covering a specific event in the country;
- trainee/s assigned in government instrumentalities, government-owned and controlled corporations (GOCC) and private entities;
- lecturers, researchers, trainers and others pursuing academic work, who are assigned in schools, universities, and educational and research institutions, government agencies and other entities (with or without compensation);
- religious missionaries and preachers;
- commercial models and talents;
- culinary specialists/chefs;
- professionals; and
- consultants or specialists.

A foreign national should have both 9(A) visa and SWP to validly stay and work short-term in the Philippines.

Describe (a) the regulatory framework for business traveler being visa nationals (especially the applicable visa type), (b) which activities they may perform under this visa type and the (c) maximum length of stay.

Visa-required nationals (restricted) must apply for a 9(A) visa at the Philippine embassy or consulate in their country/jurisdiction of origin or place of legal residence.

The permitted business visitor activities for visa-required and non-visa required nationals are the same.

Outline the process for obtaining the visa type(s) named above and describe (a) the required documents (including any legalization or translation requirements), (b) process steps, (c) processing time and (d) location of application.

Application Process – 9(A) Temporary Visitor's Visa

Restricted Nationals

- Submission of complete 9(A) visa documentary requirements to the Philippine embassy or consulate in the country/jurisdiction of origin or place of legal residence and pay relevant fees. (1 day)
- Processing of 9(A) visa application (5-10 business days)
- Obtaining 9(A) visa from the Philippine embassy or consulate (1 day)

Non-restricted Nationals

- Non-restricted national arrival in the Philippines with 30-day or 59-day visa-free entry (1 day)
- Submission of complete 9(A) visa documentary requirements to the BI at least 3 days before entry visa expiry (1 day)
- Processing of 9(A) visa application (3-5 business days)
- Obtaining 9(A) visa stamp from BI (2-3 business days)

Application Process – Special Working Permit

- Submission of complete SWP documentary requirements to the BI. (1 day)
- Processing of SWP application (7-10 business days.)
- Releasing of Special Work Permit (1 day)

The SWP can be applied simultaneously with the visa waiver or 9(A) visa extension.

Documentary Requirements

9(A) Temporary Visitor's Visa (including visa waiver and extension)

- Original Passport
- Duly accomplished application form
- Photocopy of applicant's bio-page
- Photocopy of applicant's entry stamp
- Photocopy of applicant's previous 9(A) temporary visitor's visa stamp (if any)
- Authorization Letter (if to be processed by third person)

Special Work Permit

- Original Passport
- Letter Request addressed to the Commissioner from the petitioning company
- Duly accomplished Consolidated General Application Form (CGAF) for Work Permit
- Photocopy of applicant's bio-page
- Photocopy of applicant's entry stamp
- Photocopy of applicant's previous 9(A) temporary visitor's visa stamp
- Tax Identification Number (TIN)
- Secretary's Certificate of Election, Appointment, Assignment, Secondment of Deployment or equivalent document indicating duration of employment, compensation and other benefits, and scope of duties
- Board of Resolution if the signatories of the letter of application and employment contract are other than those appearing in the Article of Incorporation (AOI) and in the latest General Information Sheet (GIS).
- Photocopy of BIR Form No. 2303 (for newly incorporated corporations) or latest quarterly/yearly income tax return (ITR) or official receipt of the corporation's quarterly ITR.
- BI Clearance Certificate
- Authorization Letter (if to be processed by third person)
- Photocopy of company signatory's ID
- Company documents:

For corporations or partnership, photocopies of the following:

- Securities and Exchange Commission (SEC) Certificate of Registration
- Articles of Incorporation
- General Information Sheet fort the current year stamped and received by the SEC.

For Single Proprietorships, photocopies of the following:

- Photocopy of Department of Trade and Industry (DTI) Certificate of Registration
- Mayor's Permit

Are there any visa waiver programs or specific visa categories for technical support staff on short-term assignments?

None.

5.2 Long-Term Assignments

What are the main work permit categories for long-term assignments to Philippines? In this context outline whether a local employment contract is required for the specific permit type.

9(G) Pre-arranged Employment Visa (Commercial)

This is a working visa that allows employers/proprietors to employ foreign nationals with skills, qualifications and experience that may be short in supply in the Philippines. There should be a local company sponsor or petitioner for the 9(G) visa application.

The 9(G) visa has an initial validity period of 1, 2 or 3 years and may be extended for up to another 3 years depending on the assignment or employment contract.

An individual is required to obtain an Alien Employment Permit (AEP) before securing a 9(G) visa. The AEP is a document issued by the Department of Labor and Employment (DOLE) in the form of a card to foreign nationals who intend to engage in gainful employment in the Philippine who occupy any executive, advisory, supervisory, or technical position.

The AEP is only valid for the position and the company for which it was issued for a validity period of 1, 2 or 3 years, and may be extended depending on the employment contract. An application for renewal of AEP shall be filed not earlier than 60 days before its expiration.

A holder of the 9(g) visa is required to secure an Alien Certificate of Registration Identification card (ACR I- Card) which is a microchip based, credit card-sized, identification card issued to all registered aliens depending on their visa type in the Philippines. It also has an embedded computer chip with biometric security features capable of data management and can be updated electronically by the Philippine Bureau of Immigration.

Provisional Working Permit

A Provisional Work Permit (PWP) is an optional work permit issued by the BI to a foreign national who currently holds a temporary visitor's visa but wishes to commence work in the Philippines while the approval of their employment visa application, either the 9(G) or 9(D), is in progress. The applicant should already have their AEP before applying for a PWP.

A PWP is valid for 3 months from the date of issuance or until the 9g visa is issued, whichever comes first. This work permit is extendible until the work visa is approved.

9(D) Visa for Treaty Traders and Investors

A foreign national of the United States of America (USA), Japan and Germany who is entering the Philippines solely to carry on trade or commerce pursuant to an existing treaty of commerce and navigation or a foreigner who seeks admission for the purpose of developing and directing the operations of an enterprise in the Philippines may convert their 9(A) visa to the 9(D) visa.

To qualify, foreign nationals must prove that:

- They or their employers are engaged in substantial trade, involving investment of at least 120,000 US dollars (USD) between the Philippines and their country/jurisdiction of origin
- They intend to leave the Philippines upon the completion or termination of their work contract
- They hold the same nationality as their employer or company's major shareholder; and

- They hold a position of a supervisor or executive in the company.

The Treaty Trader's Visa is valid for up to 2 years and can be renewed before expiration.

A holder of this visa is required to secure AEP and ACR I-Card.

Philippine Economic Zone Authority (PEZA) Visa

This is a visa that can be issued to foreign employees, and their dependents, who are employed by PEZA Registered Enterprises.

The PEZA visa can only be issued to less than 5 percent of the total workforce of the company. This visa is valid for the duration of the contract/term of office or for 2 years, whichever is shorter.

Holders of this visa are exempted from the ACR I-card requirement. An AEP is required for PEZA visa application.

Special Non-Immigrant Visa under E.O. 226, as amended by R.A. 8756 (Regional Operating Headquarters)

The visa is issued to foreign personnel, their respective spouses, and unmarried children under 21 years of age, of regional or area headquarters of multinational companies in the Philippines.

The visa is initially valid for the period of the applicant's employment contract with the headquarters but not longer than 3 years. An application for renewal of this visa is available.

A holder of this visa is exempted from the AEP and ACR I-card requirements.

Provide a general process overview to obtain a work and residence permit for long- term assignments (including processing times and maximum validation of the permit).

Application Process

Submission of AEP application, if required	1-2 days
Releasing of AEP card	15 days
Submission of working visa application	1-2 days
Completion of personal appointment and biometrics data capturing, if required*	1 day (scheduled within 15 days from submission of the application)
Processing of working visa application (depending on the visa type)	1.5 months
Stamping of visa on the passport	1 day
Releasing of ACR I-card, if required*	2 weeks after stamping

*The above timeline is generally applicable for a 9(G) visa application. The timeline may vary for other visa types

Is there a minimum salary requirement to obtain a long-term work and residence permit for assignments? Can allowances be taken into account for the salary?

None.

Is there a fast-track process which could expedite the visa/ work permit?

None.

At what stage is the employee permitted to start working when applying for a long-term work and residence permit (assignees/ local hire)?

The employee is permitted to start working once they have obtained a provisional work permit.

Can a short-term permit/ business visa be transferred to a long-term permit in the Philippines?

The 9(A) visa is convertible to a working visa provided all the documentary requirements are available.

Is it possible to renew work and residence permits?

Yes, it is possible to renew work permits, working visa, and residence permit in the Philippines.

Is there a quota or system or a labor market test in place?

The Department of Labor and Employment performs a labor market test before the approval of an AEP application in order to protect the local labor workforce. Philippine employers may only engage the services of a foreign national upon determination that there is no Filipino who is competent, able, and willing to perform the services for which the foreign national is desired. The Philippine employer is required to publish the position offered to the foreign national in a newspaper of general circulation at least fifteen (15) days before the submission of the AEP.

Generally, there is no restriction on the number of foreign workers for a petitioner entity in the Philippines. The exemption to this rule is the employment of foreign nationals for PEZA companies which is limited to 5% of the total workforce.

Moreover, foreign national employees where the employment is in a nationalized or partially nationalized industry must secure an Authority to Employ Alien from Department of Justice (DOJ).

5.3 General Immigration Related Questions

Would it be possible to bring family members to the Philippines?

Yes.

Is it possible to obtain a permanent residence permit?

Residence permit in the Philippines is generally available only to spouse or unmarried child (below 21 years old) of a Filipino citizen, natural born Filipinos and their dependents who have naturalized in a foreign country/jurisdiction and returning permanent residents of the Philippines.

Special Resident Visas are also available to foreign nationals who are coming to the Philippines for indefinite stay or permanent stay whether for work, employment, investment or retirement purposes. The type of the resident visa may differ depending on investment and retirement conditions.

What if circumstances change after the Work and Residence application process?

The visa and/or permit should be changed or updated accordingly.

How long can a permit holder leave the Philippines without their permit becoming invalid?

As long as the visa is valid, the holder can return to the Philippines.

Must immigration permissions be cancelled by the end of the assignment/employment?

Working visa holders are required to complete immigration departure formalities before leaving the Philippines after the end of assignment. The process includes downgrading of working visa to 9(A) visa, cancelling registration cards and securing a permanent Exit Clearance Certificate (ECC).

Are there any penalties for individuals and/or companies in place for non-compliance with immigration law?

Foreign nationals who will violate the immigration laws of the Philippines may be subject to questioning, detainment, deportation and denial of entry to the Philippines. Likewise, the sponsor company may be charged with civil and criminal penalties as well as risk to their business presence in the country/ jurisdiction. There are also monetary penalties depending on the severity of the fraud or crime committed.

5.4 Other Important Items

List any other important items to note, or common obstacles faced, in the Philippines when it comes to the immigration processes.

Immigration and labor applications in the Philippines is bureaucratic in process and may take longer than the published processing times depending on the volume of applications.

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