




COST OF DOING BUSINESS


START-UP COSTS

I. REGISTRATION FEES


 PHILIPPINE SECURITIES AND EXCHANGE COMMISSION (SEC)	
Registration of Corporations & Partnerships	Main Fees to be Paid (In Pesos)
Stock Corporations	
Filing Fee	1/5 of 1% of the Authorized Capital Stock or the subscription price of the subscribed capital stock whichever is higher but not less than P1,000.00 plus LRF*
By-laws	P500.00 plus LRF*
Non-Stock Corporations	
Filing Fee of Articles of Incorporation	P500.00 plus LRF*
By-laws	P500.00 plus LRF*
Partnership	
Articles of Partnership	1/5 of 1% of the partnership's capital but not less than P1,000.00 plus LRF*

*Legal Research Fee equivalent to 1% of Filing Fee but not less than P10.00


Source: <http://www.sec.gov.ph/>

 DEPARTMENT OF TRADE AND INDUSTRY (DTI)	
Business Name Registration (Bureau of Trade Regulation and consumer Protection -- BTRCP)	Main Fees to be Paid (In Pesos)
Application Fee	P315.00 to P515.00
Single Proprietorship	P300.00
Documentary stamp	P15.00

Source: <http://www.dti.gov.ph/>

 BOARD OF INVESTMENTS (BOI)	
Registration for incentives availment under EO 226	Main Fees to be Paid (In Pesos)
Filing Fees for Application for Registration (under Book 1):	
Project Costs not exceeding P 4 million	P1,500.00
Project Costs exceeding P 4 million but not over P 20 million	P3,000.00
Project Costs exceeding P 20 million but not over P 50 million	P4,500.00
Project Costs exceeding 50 million	P6,000.00
Fee for Certificate of Registration	1/10 of 1% of project cost but not less than P3,000.00 and not to exceed P15,000.00
*/ Subject to increase	

Source: <http://boi-web/>

 PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA)	
APPLICATION	Main Fees to be Paid (In Pesos)
Registration of Ecozone Enterprises	
Application for New Project (non-pioneer)	P3,600.00
Application for New Project (pioneer)	P6,000.00
Application for any Amendments in Registration	P1,200.00 (application) P3,600.00 (registration)
Application for Conversion from Non-Pioneer to Pioneer	P2,400.00
Application for Expansion for Production Capacity	P2,400.00
Registration Fees	
Registration for New Projects	P6,000.00
Registration for Expansion of Project - New Project	P3,600.00
Telecom Services and Other Utilities	P6,000.00 + 10% of monthly gross revenues from operations
All other Services Enterprise	P3,600.00
II. PROCESSING FEES	
Availment of Incentives	
Endorsement of 5% Gross Income Tax and of Income Tax Holiday	P1,200.00
Extension of ITH Entitlement Period	P1,200.00
III. CERTIFICATION / TRUE COPIES	
Certificate of Registration	P120.00
Filing approval of application	P120.00
Other Documents	P120.00

Source: <http://www.peza.gov.ph/>

II. TAX RATES

Taxation in the Philippines

The country's taxation system is governed by the Tax Reform Act 1997, passed into law on December 11, 1997 and became effective on 01 January 1998. The law was aimed at the expanding the country's tax base and maintaining the healthy fiscal standing of the government.

Corporate Income Tax Rates		
	Domestic/Resident Foreign Corporation	Non-resident Foreign Corporation
Taxable income not subject to special tax rates	30%	30%
Interest from deposits and yield from deposit substitutes/trust funds and royalties	20%	35%
Interest on foreign loans	N/A	20%
Interest income derived by a domestic corporation from a depository bank under the expanded foreign currency deposit system	7.5%	N/A
Dividends from domestic corporations	0	15% / 35%
Gains on sales of shares of stock not traded in the Stock Exchange		
Not over P100,000.00	5%	5%

On any amount in excess of P100,000.00	10%	10%
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NOTES: The rates of tax applicable for corporations entitled to special tax privileges are set out below:

1. The corporate tax rate was increased from 32% to 35% with effect from 1 July 2005 but will be reduced to 30% effective 1 January 2009.
2. The rate is reduced to 7.5% for interest income derived by a domestic corporation from a depository bank under the expanded foreign currency deposit system.
3. The rate of 15% applies if the host country exempts the dividend from tax or permits a 20% or greater credit for underlying corporation tax paid by the company paying the dividend.
4. The 5% rate applies to the first P100,000 of gains annually, with the 10% rate applying to the excess. Stocks of shares in listed companies are subject to a 0.5% tax on the sale proceeds.

Entity	Rates	Tax Base
Proprietary educational institutions and non-profit hospitals	10%	Taxable income
Certain enterprises registered with the Philippine Economic Zone Authority	5%	Gross income
Non-resident owner or lessor of aircraft, machinery and other equipment	7.5%	Gross Philippine rentals, lease, charter fees
Non-resident owners of vessels chartered by Philippine nationals and approved by the Maritime Industry Authority	4.5%	Gross Philippine rentals, lease, charter fees
Non-resident cinematographic film owners, lessors or distributors	25%	Gross Philippine source income
Foreign international carriers (air and sea)	2.5%	Gross Philippine billings
Offshore banking units (OBUs) and foreign currency deposit units (FCDUs) authorized by the Bangko Sentral ng Pilipinas	10%	Gross Taxable Income on Foreign Currency Transaction
	32%	Taxable Income Other than Foreign Currency Transaction
Regional operating headquarters	10%	Taxable income

Income Tax Rates as Passive Income of Domestic/Resident Corporation

Cash and/or Property Dividends

Beginning January 1, 1998	6%
Beginning January 1, 1999	8%
Beginning January 1, 2000 & thereafter	10%

Interest on any currency bank deposit and yield or other monetary benefit from deposit substitutes and from trust fund and similar arrangements 20% of final tax

Interest Income from foreign currency deposits with Foreign Currency Deposit Units (FCDUs) 7.5% of final tax

Gains for shares of stock not listed and traded in the local stock exchange 5% capital gains tax (CGT) on net gains not exceeding P 100,00 and 10% on the amount in excess of P 100,000.

Gains from sale or exchange of land or buildings not actually used in business 6% CGT on gross selling price or fair market value, whichever is higher

and treated as capital asset
 Royalties (except on books as well as literary & musical composition – 10%) 20%

New Taxes for Corporation Under the Tax Reform Act of 1997

Minimum Corporate Income Tax (MCIT) - A 2% MCIT on gross income on an annual basis is imposed on corporations whose regular corporate income tax liability is less than the MCIT beginning the fourth taxable year following the year they commenced business operation. Any excess of the MCIT over the normal tax shall be carried forward and credited against the normal tax for the three (3) immediately succeeding taxable years.

Fringe Benefits Tax - Fringe benefits granted to supervisory and managerial employees are subject to 32% tax on the grossed-up monetary value of the fringe benefit. Fringe benefits given by OBUs regional operating headquarters of multinational companies, petroleum contractors and subcontractors to qualified alien employees and in certain cases, to Filipino employees, are taxed at 15% of the grossed-up monetary value of the fringed benefit.

Improperly Accumulated Earnings Tax - a 10% tax is imposed on the improperly accumulated earnings of a corporation, except in the case of publicly held corporations, banks, and other non-bank financial intermediaries and insurance companies. When a corporation allows its earnings or profits to accumulate beyond its reasonable needs, it shall be assumed that the purpose is to avoid tax on stockholders, unless proven to the contrary.

Individual Taxation	Rates
Non-resident aliens not engage in trade and business flat income tax rate	25%
Resident citizens/alien (gainfully employed) Graduated income tax rates	0%-35%

The following individuals shall not be required to file an income tax return:

1. An individual whose gross compensation income does not exceed his total personal and additional exemptions;
2. An individual whose compensation derived from one year employer does not exceed P60,000 and the income tax on which has been correctly withheld;
3. An individual whose income has been subjected to final withholding tax (alien employee as well as Filipino employee occupying the same position as that of the alien employee of regional or area headquarters and regional operating headquarters of multinational companies, petroleum service contractors and sub-contractors, and offshore banking units, non-resident alien not engaged in trade or business), and
4. An individual who is exempt from income tax.

Married individuals shall file single return for the taxable year to include the income of both spouses, separately computing their individual income tax based on their respective taxable income. Where it is impracticable for the spouses to file one return, each spouse may file a separate return.

Tax Table for individuals earning purely compensation income and individuals engaged in business and practice of profession

If Taxable Income is:	Tax Due is:	If Taxable Income is:	Tax Due is:
Not over P10,000		5%	
Over P10,000 but not over P30,000	P500+10% of the excess over P10,000	Over P140,000 but not over P250,000	P22,500+25% of the excess over P140,000
Over P30,000 but not over P70,000	P2,500+15% of the excess over P30,000	Over P250,000 but not over P500,000	P50,000+30% of the excess over

Over P70,000 but not over P140,000	P8,500+20% of the excess over P70,000	Over 500,000	P250,000 P125,000+34% of the excess over P500,000
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Note: Effective January 1, 1999, the maximum rate shall be thirty-three percent (33%) and thirty-two percent 32% on January 1, 2000.

Note: When the tax due exceeds P2,000.00, the taxpayer may elect to pay in two equal installments, the first installment to be paid at the time the return is filed and the second installment on or before July 15 of the same year at the Authorized Agent Bank (AAB) within the jurisdiction of the Revenue District Office (RDO) where the taxpayer is registered.

Value Added Tax (VAT)

Sale of goods, other properties, and services in the Philippines, as well as importation of goods to the Philippines, are subject to the 12% VAT. VAT is imposed on the gross selling price (in case of sale of goods) and gross receipts (in case of sale of services).

Tax Rate

For output tax (0% or 12%)

For input tax on importation of goods or local purchases of goods, properties or services, including lease or use of properties, in the course of trade or business (0% or 12%)

For creditable input tax on advance VAT payments made by the seller/owner of refined sugar and importer/miller of wheat/flour (12%)

Stock Transaction Tax

1/2 of 1% of gross selling price is imposed on the sale, barter, exchange or other disposition of shares through the facilities of stock exchange, which shall be paid by the seller or transferor.

Source: Bureau of Internal Revenue (BIR)