

Doing Business Legal Reference Guide

1. General Laws to be Considered.

a. Revised Corporation Code

The Revised Corporation Code of the Philippines (RCC) is the law governing the corporations operating in the Philippines. The RCC repealed Batas Pambansa Blg. 68 of the Corporation Code of the Philippines. The RCC took effect on 23 February 2019.

With the passage of the RCC, the following changes are now provided:

- i. There is no longer a required minimum capital stock for Stock Corporations.
- ii. A One-Person Corporation is now allowed under the law, wherein it is composed of a single stockholder, formed either by a natural person, trust, or an estate.
- iii. A corporation now has perpetual existence unless the articles of incorporation provide otherwise.

b. Foreign Investment Act

The law governing the participation of foreign entities in the Philippines is Republic Act No. 7042, otherwise known as the Foreign Investment Act of 1991 (FIA). Under the FIA, a foreign entity doing business in the Philippines must obtain a license from the Securities and Exchange Commission (SEC).

A foreign entity may obtain a license by registration of a Philippine branch office or representative. Another option is to incorporate a Philippine corporation for the purpose of doing business in the Philippines.

The FIA defines that is “doing business” in the Philippines for foreign entities:

<p>“Doing Business” for Foreign Entities</p>	<ol style="list-style-type: none"> 1. Soliciting orders, service contracts 2. Opening offices, whether “liason” offices or branches 3. Appointing representatives or distributors domiciled in the Philippines or who in any calendar year stay in the country for a period or periods totaling one hundred (180) days or more 4. Participating in the management, supervision or control of any domestic business, firm, entity or corporation in the Philippines
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	<p>5. Any other act or acts that imply a continuity of commercial dealings or arrangements, and contemplate to that extent the performance of acts or works, or the exercise of some of the functions normally incident to and in progressive prosecution of commercial gain or of the purpose and object of the business organization.</p>
<p>Exception: Acts not deemed as “doing business” in the Philippines</p>	<ol style="list-style-type: none"> 1. Mere investment as a shareholder by a foreign entity in a domestic corporation duly registered to do business, and/or the exercise of rights as such investor 2. Having a nominee director or officer to represent its interest in such corporation 3. Appointing a representative or distributor domiciled in the Philippines which transacts business in the representative’s or distributor’s own name and account 4. The publication of general advertisement through any print or broadcast media 5. Maintaining a stock of goods in the Philippines solely for the purpose of having the same processed by another entity in the Philippines 6. Consignment by a foreign entity of equipment with a local company to be used in the processing of products for export 7. Collecting information in the Philippines 8. Performing services auxiliary to an existing isolated contract of sale which are not on a continuing basis, such as installing in the Philippines machinery it has manufactured or exported to the Philippines, servicing the same, training domestic workers to operate it, and similar incidental services.

It is important to determine if a foreign entity is deemed to be doing business in the Philippines, as under the FIA and the RCC, a foreign corporation found to be doing business in the Philippines without a license or without setting up the appropriate local entity may be subject to the following:

- It cannot sue or maintain suits to enforce its rights in the Philippine courts but can be sued on any valid cause of action
- It may be subject to a fine of not less than PhP10,000 but not more than PhP1 million at the discretion of the court. The penalties of a foreign corporation will be imposed on the directors or officers responsible for the violation.

2. Form of investment

a. Branch or subsidiary

	Domestic Subsidiary	Branch Office
Definition	A corporation which, while incorporated and existing under Philippine laws, is either wholly-owned or at least majority-owned by a foreign corporation, otherwise known as the “parent corporation”.	A branch may be set up by a foreign corporation and be licensed to do business in the Philippines through a branch license issued by the SEC. A branch office may, therefore, enter into contract with local entities in its own name, and in general, engage in income-producing activities authorized under its branch license.
Incorporation	A domestic subsidiary can be incorporated by any person, partnership, association or corporation, singly or jointly with others but not more than fifteen (15) in number.	A branch can be set up by only one person who will act as resident agent. The resident agent may either be an individual or a domestic corporation if an individual, he or she must be of good moral character and of sound financial standing.
Minimum Capital Requirement	A subsidiary with more than 40% foreign equity must have a minimum paid up capital of at least US\$200,000 unless (1) the company will be exporting goods or services, or (2) generating revenue from abroad	A branch must have a minimum assigned capital of US\$200,000, unless (1) the branch will be exporting goods or services or (2) generating revenue from abroad amounting to more than

	amounting to more than 60% of its gross sales, and thus, be considered an export enterprise under our Foreign Investment Act. ¹	60% of its gross sales . A branch is subject to the similar capital requirements as that of a subsidiary.
Facility of Registration and Incorporation	It takes a comparatively shorter period of time to draw up incorporation papers for a domestic subsidiary and obtain a certificate of incorporation from the SEC because there will be no need to present any document from abroad.	It usually takes a longer period of time for setting up a branch due to the notarization and authentication requirements (if executed abroad) of the supporting documents for the application, which will include copies of Board resolutions of the Board of Directors, articles of incorporation and by-laws, as well as financial statements, of the foreign company.
Financial Capacity	SEC does not check the financial capacity of the subscribers/incorporators, although it may ask for a copy of the foreign subscriber's articles of incorporation.	SEC will review the financial statements of the foreign company, and if the company is insolvent, SEC will require the posting of a surety bond in the amount of PhP1,000,000.00.
Flexibility of Operations	The internal affairs of a domestic subsidiary are governed by Philippine laws. The Corporation Code of the Philippines	The internal affairs of a branch office are governed by the laws of the place of incorporation of the foreign corporation.

¹ The capitalization requirements of a domestic market enterprise may be reduced to US\$100,000 if:

1. its activity involves advanced technology as determined and certified by the Department of Science and Technology, or
2. it employs at least 50 direct employees as certified by the appropriate regional office of the Department of Labor and Employment.

	<p>requires that stockholder's meetings, whether regular or special, shall be held in the city or municipality where the principal office of the corporation is located, and if practicable in the principal office of the corporation.</p> <p>As far as expansion of operations is concerned, however, a domestic corporation offers more flexibility than a branch in the sense that the former makes available a corporate vehicle for pursuing such other lines of business as may be authorized by or subsumed under the business purposes stated in the Articles of Incorporation.</p>	<p>The branch office, therefore, would not be required to comply with many of the provisions of the Corporation Code of the Philippines. Hence, operation through a branch makes it possible for corporate meetings to be held, and corporate records (except those directly pertaining to the branch) kept, at the principal office of the foreign corporation abroad.</p>
Securities Deposit Requirement	No requirement to deposit securities with the SEC.	Initial deposit securities amounting to at least PhP100,000 is required and an additional annual deposit of 2% of the amount by which the branch office income exceeds PhP 5 million.

b. Procedure for establishment

i. Branch – incorporation

Documentary requirements for licensing of branch office:

- 1) Cover sheet
- 2) Name verification slip
- 3) Application form F-103
- 4) Authenticated copy of the board resolution:

- Authorizing the establishment of Branch/Representative Office in the Philippines
 - Designating the Resident Agent to whom summons and other legal processes may be served in behalf of the foreign corporation; and
 - Stipulating that in the absence of such Agent or upon cessation of its business in the Philippines, any summons or legal processes may be served to SEC as if the same is made upon the corporation at its home office.
- 5) Authenticated copy of the Articles of Incorporation/Partnership with an English translation thereof if in a foreign language other than English.
 - 6) Financial Statements
 - 7) Compliance with financial ratios
 - 8) Notarized proof of inward remittance such as bank certificate of inward remittance or credit advances
 - 9) Resident Agent's acceptance of appointment (not required if the Resident Agent is the signatory in the Application Form)
 - 10) Endorsement/clearance form from appropriate government agencies

ii. Subsidiary – license to do business

Documentary requirements for the setting up of a domestic subsidiary:

- 1) Name verification slip
- 2) Articles of Incorporation and By-laws
- 3) Treasurer's Affidavit
- 4) Registration Data Sheet

Additional requirements:

- 5) For corporation with foreign equity - Proof of inward remittance by non-resident aliens and foreign corporate subscribers who want to register their investment with the Central Bank of the Philippines
- 6) For corporations with more than 40% foreign equity: Form F-100 (Application to Do Business Under the Foreign Investments Act of 1991)

c. Special branches – ROHQ, RHQ

A foreign corporation has the option to establish a regional operating headquarters (ROHQ) or regional or area headquarters (RHQ).

	ROHQ	RHQ
Definition	A branch established in the Philippines by multinational companies which are engaged in the following services: 1. General administration and	A branch established in the Philippines by multinational companies and whose headquarters do not earn or derive income from the

	<p>planning</p> <ol style="list-style-type: none"> 2. Business planning and coordination 3. Sourcing and procurement of raw materials and components 4. Corporate finance advisory services 5. Marketing control and sales promotion 6. Training and personnel management 7. Logistic services 8. Research and development services and product development 9. Technical support and maintenance 10. Data processing and communication 11. Business development 	<p>Philippines and which act as supervisory, communications and coordinating center for their affiliates, subsidiaries, or branches in the Asia-Pacific and other foreign markets.</p>
Incorporation	<p>An ROHQ must initially remit into the Philippines at least USD 200,000.</p>	<p>The operations in the Philippines must be funded by its head office or parent company, which must initially remit into the Philippines at least USD 50,000 and thereafter, USD 50,000 annually.</p>

Documentary requirements for the registration of an ROHQ and RHQ:

- 1) Cover Sheet
- 2) Name Verification Slip
- 3) Duly accomplished Application Form
- 4) Certification from the Philippine Consulate/Embassy or the Philippine Commercial Office or from the equivalent office of the Philippine Department of Trade and Industry (DTI) in the applicant's home country that said foreign firm is an entity engaged in international trade with affiliates, subsidiaries or branch offices in the Asia Pacific Region and other foreign markets.
- 5) Authenticated Certification from principal officer of the foreign entity to the effect that the said foreign entity has been authorized by its board of directors or governing body to establish its ROHQ/RHQ
- 6) Endorsement of the Board of Investments (BOI)
- 7) Endorsement/Clearance from appropriate government agencies, if applicable.

d. Tax differences

There are different tax consequences for the creation of a domestic subsidiary, branch, ROHQ, and RHQ in the Philippines.

Domestic Subsidiary	Branch
<p>Taxed on its income from all sources, within and outside the Philippines</p> <p>Local sales will be subject to 12% value added tax (VAT). On the other hand, export sales of services will be subject to 0% VAT.</p> <p>Remittances of dividends by a subsidiary to its foreign parent corporation - Generally, taxed at 30%. It may be reduced to 15% where the country in which the parent corporation is registered either:</p> <ul style="list-style-type: none"> (1) Grants a tax sparring credit of 15%; or (2) Does not at all impose any tax on such dividends received. <p>Tax on dividends may be further reduced under applicable income tax treaties</p> <p>Withholding tax on its income payments and compensation</p>	<p>Taxed only on net income derived from Philippine sources.</p> <p>Any profit remitted abroad by a branch to its head office is subject to a branch profit remittance tax (BPRT) of 15%. The profit should be effectively connected with the conduct of the trade or business in the Philippines of the branch.</p> <p>Preferential rates may be available under applicable income tax treaties.</p>
ROHQ	RHQ
<p>10% of Taxable Income</p> <p>Exempt from all kinds of local taxes, fees or charges except real property tax on land improvements and equipment; tax and duty-free importation of equipment and training materials</p>	<p>Exempt from Corporate Income Tax</p> <p>Exempt from local taxes, fees, and charges</p> <p>Exempt from VAT, tax and duty-free importation of equipment and training materials' and importation of motor vehicles are subject to payment of taxes and duties.</p>

3. Foreign equity participation

a. GR 100% foreign equity is allowed

The FIA has the policy to attract, promote and welcome productive investment from foreign individuals, partnerships, corporations, and governments, including their political subdivisions, in activities which significantly contribute to national industrialization and socio-economic development to the extent that foreign investment is allowed in such activity by the Constitution and relevant laws.

Under the FIA, foreign investment shall be encouraged. As a general rule, there are no restrictions on the extent of foreign ownership and a foreign entity can have 100% ownership. The maximum amount of foreign equity depends on the type of activity that the company is engaged in.

The limitations on the foreign equity based on the activity is provided under the Foreign Investment Negative List (Negative List). The Negative List is a list of areas of economic activity whose foreign ownership is limited to a maximum of 40% of the equity capital of the enterprises engaged therein.

The latest Negative List is the 11th Regular Foreign Investment Negative List, which provides the extent of foreign equity for specific economic activity.

b. Except:

i. Restricted by the Constitution or Law (Negative List A)

Negative List A are restrictions on foreign ownership by mandate of the Constitution and specific laws.

No Foreign Entity	<ol style="list-style-type: none"> 1. Mass media, except recording 2. Practice of professions, including Radiologic and x-ray technology, criminology, law, and marine deck officers and marine engine officers, subject to the Annex on Professions attached to the Negative List and forming an integral part of this document, indicating the professions where (a) foreigners are allowed to practice in the Philippines subject to reciprocity; and (b) where corporate practice is allowed. Foreigners may teach at higher education levels provided the subject being taught is not a professional subject. 3. Retail trade enterprises with paid-up capital of less than US\$2,500,000 4. Cooperatives 5. Organization and operation of private detective, watchmen or security guard agencies 6. Small-scale mining
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	<ol style="list-style-type: none"> 7. Utilization of marine resources in archipelagic waters, territorial sea and exclusive economic zone as well as small-scale utilization of natural resources in rivers, lakes, bays and lagoons 8. Ownership, operation and management of cockpits 9. Manufacture, repair, stockpiling and/or distribution of nuclear weapons 10. Manufacture, repair, stockpiling and/or distribution of biological, chemical and radiological weapons and anti-personnel mines 11. Manufacture of firecrackers and other pyrotechnic devices
Up to 25% Foreign Equity	<ol style="list-style-type: none"> 1. Private recruitment, whether for local or overseas employment 2. Contracts for construction of defense-related structures
Up to 30% Foreign Equity	<ol style="list-style-type: none"> 1. Advertising
Up to 40% Foreign Equity	<ol style="list-style-type: none"> 1. Contracts for construction and repair of locally-funded public works, subject to applicable regulatory frameworks, except: <ol style="list-style-type: none"> a. Infrastructure/development projects covered in RA 7718; and b. Projects which are foreign-funded or assisted and required to undergo international competitive bidding 2. Exploration, development and utilization of natural resources 3. Ownership of private lands 4. Operation of public utilities, except power generation and supply of electricity to the contestable market and such other like businesses or services not covered by the definition of public utilities 5. Educational institutions other than those established by religious groups and mission board, 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 as defined in Sec. 20 of Batas Pambansa No. 232 6. 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 7. Contracts for supply of materials, goods and commodities to government-owned or controlled corporation, company, agency or municipal corporation 8. Operation of deep sea commercial fishing vessels 9. Ownership of condominium units 10. Private radio communications network

ii. Restricted by policy (Negative List B)

Negative List B are restrictions on foreign ownership by policy

Up to 40% Foreign Equity	<ol style="list-style-type: none"> 1. Manufacture, repair, storage, and/or distribution of products and/or ingredients requiring Philippine National Police (PNP) clearance 2. Manufacture, repair, storage and/or distribution of products requiring Department of National Defense (DND) clearance.
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4. Paid-up capital requirement (FIA)

a. Corporation Code

Under Section 12 of the Revised Corporation Code (RCC), it provides that Stock Corporations are no longer required to have a minimum capital stock. The RCC has also abolished the requirement provided under Section 13 of the Old Corporation Code which requires a minimum subscription and payment of the authorized capital stock.

The current rule shows stark contrast to the previous rule under the Old Corporation Code which requires at least twenty-five percent (25%) of the authorized capital stock to be subscribed, and at least twenty-five (25%) per cent of the total subscription must be paid upon subscription and in no case shall the paid-up capital be less than five Thousand (P5,000.00) pesos.

Corporations are now no longer required to have any minimum capital stock to be subscribed or paid in order to be incorporated.

b. Export enterprise

An export enterprise is defined as an enterprise wherein a manufacturer, processor or service (including tourism) enterprise exports sixty per cent (60%) or more of its output, or wherein a trader purchases product domestically and exports sixty per cent (60%) or more of such purchases.²

As a general rule, there are no restrictions on extent of foreign ownership of export enterprises³ Foreign investment in export enterprises whose products and services do not fall within Lists A and B of the Foreign Investment Negative List provided under Section 8 hereof is allowed up to one hundred percent (100%) ownership.⁴

² Section 3(e), Foreign Investment Act of 1991, RA 7042

³ Section 2, Foreign Investment Act of 1991, RA 7042

⁴ Section 6, Foreign Investment Act of 1991, RA 7042

Export Enterprises which are non-Philippine nationals shall register with the BOI and submit reports in order to ensure continuing compliance with its export requirement.⁵

c. Domestic Market enterprise

Domestic market enterprises are defined as enterprises which produce goods for sale, or render services to the domestic market entirely or if exporting a portion of its output fails to consistently export at least sixty percent (60%) thereof.⁶

Non-Philippine nationals may own up to one hundred percent (100%) of domestic market enterprises unless foreign ownership therein is prohibited or limited by existing law or the Foreign Investment Negative List under Section 8 hereof.

5. Management and Officers

a. Board of Directors – number, residency requirements

The RCC provides that the number of directors shall not be more than fifteen (15), effectively removing the minimum requirement of Directors under the Old Corporation Code which requires at least five (5) directors or trustees.

The Residency requirement provided under the Old Corporation Code which requires a majority of the Board of Directors be residents of the Philippines was removed in Section 23 of the RCC. At present, the RCC no longer prescribes a residency requirement for the Directors of a Corporation.

As a rule, there is no citizenship requirement for the Directors of a Corporation. However, the members of the Board of Directors must comply with the same proportion of maximum equity participation under nationalization laws. i.e. the FIA Negative List.

While foreigners are disqualified to be elected/appointed as corporate officers in wholly or partially nationalized business activities, they are allowed representation in the Board of Directors or governing body of said entities in proportion to their shareholdings.⁷

6. Basic officers – President, Treasurer, Corporate Secretary, Compliance Officer

The following are the Corporate Officers that must be elected:

- 1) President (who must be a Director)
- 2) Treasurer (who must be a resident)
- 3) Secretary (who must be a citizen and resident of the Philippines)
- 4) Others officers as may be provided by the Corporation's By-laws.

⁵ id.

⁶ Section 3(f), Foreign Investment Act of 1991, RA 7042

⁷ Section 2-A, Anti-Dummy Law, Commonwealth Act No. 108.

The same person may hold two (2) or more positions concurrently, except that no one shall act as president and secretary or as president and treasurer at the same time, unless otherwise allowed in this Code.⁸

7. Basic reportorial requirements

a. General information sheets

The General Information Sheet containing the number of subscribed and paid-up shares, as well as the duly elected directors and officers of the Corporation, among other relevant information, must be submitted to the SEC within 30 calendar days from the date of the actual annual stockholders' or members' meeting.

b. Filing of Audited Financial Statements

The Audited Financial Statements (AFS) stamped "RECEIVED" by the BIR must be submitted to the SEC within 120 days after the end of the fiscal year, as indicated in the Financial Statements.

c. Annual stockholders' meetings

Corporations are obliged to conduct an Annual Stockholder Meeting (ASM) on a date fixed in the bylaws, or if not so fixed, on any date after April 15 of every year as determined by the Board of Directors or Trustees.⁹

Written notice of the ASM shall be sent to all stockholders or members of record at least twenty-one (21) days prior to the meeting, unless a different period is required in the bylaws, law, or regulation. Such written notice of the ASM may be sent via electronic mail or such other manner as the SEC may allow under its guidelines.¹⁰

8. Basic permits

a. Mayor's permit

A corporation is required to obtain a Mayor's permit or Business Permit from the local Municipality where it will establish its place of business. The fees for the permit varies depending on the local government units (LGU). It also depends on the nature of business and land area occupied by the corporation.

Prior to securing a Mayor's permit, the corporation must first register with the SEC and secure a Barangay Business Clearance where the business will be established.

⁸ Section 24, Revised Corporation Code

⁹ Section 49, Revised Corporation Code

¹⁰ Id.

Documentary requirements for a Mayor's permit:

- 1) Duly accomplished Application Form
- 2) Certification of Incorporation; or Articles of Partnership
- 3) Barangay Business Clearance
- 4) Community Tax Certificate (CTC or Cedula)
- 5) Contract of Lease (if leased)/Transfer Certificate of Title (if owned) of the property where the business will be established
- 6) Sketch or picture of the business location
- 7) Public liability insurance
- 8) Locational/Zoning clearance
- 9) Certificate of Occupancy
- 10) Building permit and Electrical Inspection Certificate
- 11) Sanitary Permit
- 12) Fire Safety Inspection Permit

b. BIR Registration

Newly-formed corporations subject to SEC registration are issued pre-generated Tax Identification Number (TIN), which is indicated on their SEC Certificate of Registration. The corporation must register the pre-generated TIN with the Bureau of Internal Revenue (BIR) and report all internal revenue taxes that it expects to be liable for.

The requirements for the Certificate of Registration of a corporation or partnership are:

- 1) Duly accomplished BIR Form No. 1903 (Application for Registration for Corporations);
- 2) Payment Form (BIR Form No. 0605);
- 3) SEC Certificate of Incorporation;
- 4) Articles of Incorporation and By-laws;
- 5) Documentary Stamp Tax Return (BIR Form No. 2000) on the original issuance of shares and Payment Form (for the DST payment); and
- 6) Mayor's Permit/Business Permit Application (duly stamped received by the Business Licensing Division of the local government.

Other documentary requirements, if only applicable:

- 1) Board Resolution indicating the name of the authorized representative or Secretary's Certificate, in case of authorized representative who will transact with the BIR
- 2) Franchise Documents (e.g. Certificate of Public Convenience, for Common Carrier)
- 3) Memorandum of Agreement, for joint ventures)
- 4) Franchise Agreement
- 5) Certificate of Authority, if Barangay Micro Business Enterprises (BMBE) registered entity

- 6) Proof of Registration/Permit to Operate with BOI, BOI-ARMM, SBMA, BCDA, PEZA

c. Labor Relations and Welfare Registration

The employer and its employees of an entity doing business in the Philippines are required to be members of the Social Security System (SSS); Philippine Health Insurance Corporation (PhilHealth) and Home Development Mutual Fund (Pag-ibig). The employer is required to register with the SSS, PhilHealth and Pag-Ibig and report its employees for coverage with these agencies.

Documentary Requirements for Registration	
<p>SSS <i>(Filed with the Social Security System)</i></p>	<ul style="list-style-type: none"> a. Employer registration form (Form R-1); b. Employment report (Form R-1A); c. List of employees, specifying their birth dates, positions, monthly salary and date of employment; and d. Articles of Incorporation, By-laws and SEC registration
<p>PhilHealth <i>(Filed with the Philippine Health Insurance Company)</i></p>	<ul style="list-style-type: none"> a. Employer data record (Form ER1); b. Report of employee-members (Form ER2); c. SEC registration d. BIR registration; and e. Copy of business permit
<p>Pag-Ibig <i>(Filed with the Home Development Mutual Fund)</i></p>	<ul style="list-style-type: none"> a. Employer's Data Form (EDF [FPF040]); b. Specimen Signature Form (SSF[FPF170]); c. Copy of SEC Certificate of Incorporation; d. Copy of Approved Articles of Incorporation and By-laws; and e. Board Resolution or Secretary's Certificate indicating the duly designated authorized representative

9. Registration of foreign equity investment with BSP

Foreign investment means an equity investment made by non-Philippine national in the form of a foreign exchange and/or other assets actually transferred to the

Philippines and duly registered with the Central Bank which shall assess and appraise the value of such assets other than foreign exchange.

Under the Manual of Regulations for Foreign Transactions (FX Manual) of the Bangko Sentral ng Pilipinas (BSP), inward foreign investments may be in the following forms:

- 1) Foreign direct investments in Philippine firms or enterprises either in case or in kind;
- 2) Investments in peso-dominated government securities;
- 3) Investments in securities listed in the Philippine Stock Exchange (PSE);
- 4) Investment in peso-denominated money market instruments;
- 5) Investment in peso time deposits with authorized agent banks (AAB) with minimum maturity of ninety (90) days.

a. Benefits

Generally, foreign investments need not be registered with the BSP or registering banks. However, the registration with the BSP will allow the investor to purchase foreign currency from the banks to convert its peso proceedings or earnings for repatriation or remittance.

The repatriation and remittance privilege that can be availed of with the registration of the foreign equity investment with the BSP:

- 1) Full and immediate repatriation of capital and remittance of dividends, profits and earnings using foreign exchange to be purchased from AABs and AAB-forex corporations;
- 2) Foreign exchange may be purchased from AAB and AAB-forex corporations for outward remittance in an amount equivalent to the peso sales/divestments proceeds of registered foreign investments;
- 3) Registering banks for foreign investments may sell for outward remittance the equivalent foreign exchange of excess pesos funded with inward remittance for foreign exchange under certain conditions.

b. Requirements

Documentary requirements for registration with the BSP

- 1) Duly accomplished application for registration of inward investments (Annex W of the FX Manual)
- 2) Supporting documents under Appendix 10.C of the FX Manual within one (1) year prescriptive period.
- 3) For registration of investments filed within the prescriptive period there is no registration fee. For those filed beyond the prescriptive period, the applicable processing fee shall be assessed:
 - 1st year of filing beyond the prescriptive period: PhP10,000 for every Bangko Sentral Registration Documents (BSRD)

- 2nd year of filing beyond the prescriptive period and onwards:
Additional fee of PhP10,000 for each year for every BSRD issued.
- 4) Foreign currency inwardly remitted to fund investments to be registered with the BSP need not be converted to pesos, except for the following:
 - foreign direct investments in foreign bank branches permanently assigned capital with such conversion to be made at the exchange rate prevailing at the time of remittance, pursuant to applicable laws and the Manual of Regulations for Banks; and
 - If investment is required to be funded by pesos.

Documentary requirements for registration with bank

- 1) Duly accomplished ‘Authority to Disclose Information’ in the prescribed format, submitted by the non-resident investor or his duly authorized representative
- 2) Supporting documents covering all of the investments registered with each designated registering bank
- 3) Foreign currency inwardly remitted to fund investments to be registered with registering banks must be converted to pesos with banks, except if investment are required to be funded by foreign currency.

The content is based on information current as of December 31, 2020. Changes to the customs laws and other applicable rules may be proposed. Therefore, readers should contact MTF to obtain further information.

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