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UHY M.L. AGUIRRE & CO, CPAs



Navigating New Horizons

2025 Doing Business in the Philippines Guide

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INTRODUCTION



The Philippines recorded a 5.6% GDP growth rate in 2024, making it the second-fastest-growing economy in ASEAN. Despite global economic uncertainties, the country has demonstrated resilience, fueled by strong domestic consumption, strategic investments, and a thriving financial services sector. With projections remaining bullish for 2025, businesses have a prime opportunity to expand and succeed in this dynamic market.

The Doing Business Guide 2025 is designed to help businesses navigate the evolving financial and regulatory landscape in the Philippines. As the country continues its upward trajectory, now is the time for businesses and investors to position themselves strategically. This guide serves as your roadmap to success, ensuring that you are well-equipped to seize opportunities and overcome challenges in one of Southeast Asia's fastest-growing economies.

Navigating Growth with Confidence in the Philippine Market

As the Philippine business landscape becomes more complex and competitive, companies need more than just compliance—they need a strategic partner. UHY M.L. Aguirre & Co., CPAs (UHYMAC) delivers exactly that through our Total Advisory eXperience (T.A.X.). More than a suite of services, it is our promise to help businesses thrive amid evolving regulations, financial demands, and digital transformation.

Whether you're a fast-growing MSME, start-up, real estate, a bank, an electric cooperative, a manufacturer, an NGO, or a well-established multinational, our customized solutions in tax advisory, audit, fraud prevention, litigation support, among others are built to drive operational efficiency, enhance financial resilience, and support sound, sustainable decision-making.

What truly sets us apart? It's not just our global reach through UHY International or our trusted accreditations with the BOA, BIR, BSP, NEA, CDA, PCAOB and the Insurance Commission—it's our deep commitment to 'being there' when it matters most. In a world that moves fast, we make sure you get the right advice at the right time, so you can grab opportunities, make smart decisions, and move forward with confidence.

At UHYMAC, we're not just accountants—we're changemakers. Our digital platform, Babylon2k.org and ai.babylon2k.org (BETHAI), redefines access to expert guidance by empowering entrepreneurs from city centers to rural communities. With technology and transparency, we help build impact-driven businesses that foster inclusive growth and a sustainable future.

Let's go beyond compliance. Let's create stories of success and significance—together.

Michael “Mhike” L. Aguirre, CPA, MBA, MST
Founding & Managing Partner at UHY M.L Aguirre & Co., CPAs



The Beth A.I.: Revolutionizing Accounting with Smart Technology

Innovation is at the heart of what we do, and we are proud to introduce Beth A.I., our very own accounting-focused artificial intelligence. Designed to simplify compliance, enhance efficiency, and provide real-time insights, Beth A.I. transforms the way businesses handle tax and financial reporting. Whether you're a growing startup or a large enterprise, Beth A.I. enables smarter decision-making, reduces errors, and ensures seamless compliance with the latest tax regulations.

The Economic Landscape & The Future of Accounting

Despite global challenges, the Philippine economy remains robust, driven by strong domestic demand, infrastructure development, and a growing digital economy. The role of accountants and financial professionals has never been more critical in helping businesses adapt to new tax policies, navigate financial risks, and leverage economic opportunities

Evolving Tax Landscape: CREATE and Beyond

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act continues to reshape the tax environment, offering reduced corporate income tax rates and targeted incentives to attract investments. As regulatory frameworks evolve, businesses must stay proactive in understanding tax obligations, maximizing available incentives, and ensuring compliance with the Bureau of Internal Revenue (BIR). Our firm remains at the forefront, guiding businesses through these changes with clarity and precision.

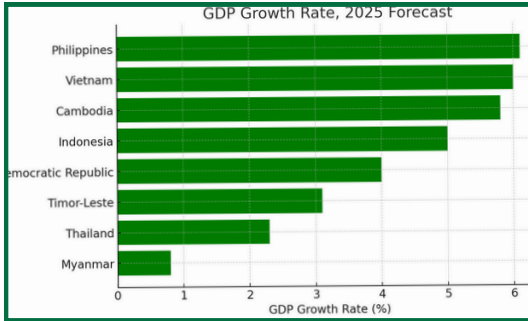
As we step into this new era, we reaffirm our commitment to empowering businesses through expert advisory, technological innovation, and strategic expansion. Whether through our new Cebu office or the game-changing capabilities of Beth A.I., we are here to help you navigate complexities and unlock new opportunities in the Philippine business landscape.

Let's build the future together.

Economic Overview



- **Economic Growth:** Brief analysis of GDP trends, continued recovery from the pandemic, and projected growth for 2025.
- **Investment Opportunities:** Key sectors for investments, including IT/BPO, renewable energy, manufacturing, and digital finance.
- **International Monetary Fund (IMF) Reports:** Key insights from the IMF on the country's economic outlook, fiscal health, and policies.
- **Economic Drivers:** Focus on infrastructure development, government incentives, and regional integration through trade agreements like RCEP.



The Philippine economy is set to grow by **6.1%** in 2025, driven by strong consumer spending, increased investments in infrastructure and digital services, and a rebound in key sectors like tourism and exports. Despite inflation risks and geopolitical uncertainties, ongoing economic policies and reforms support a stable and business-friendly environment, making the country an attractive destination for investment and expansion.

Economic Growth

The Philippine economy has shown remarkable resilience, rebounding from the challenges of the COVID-19 pandemic and global economic uncertainties. In 2024, GDP grew by 5.8%, and the 2025 forecast suggests further acceleration to 6.1%. This growth is primarily fueled by:

- *Robust consumer spending, driven by the country's young and growing population.*
- *Increased public and private investments in infrastructure, manufacturing, and digital services.*
- *The recovery of key sectors, such as tourism, exports, and services, supported by rising global demand.*

Despite external pressures such as inflation risks and geopolitical tensions, economic policies and structural reforms continue to foster a stable and business-friendly environment in the Philippines.

Economic Drivers

Several key factors will sustain and drive economic growth in the Philippines:

Infrastructure Development

The government's "Build Better More" infrastructure program continues to transform the business landscape. Major projects include:

- The Metro Manila Subway, set to reduce transport costs and improve urban mobility.
- New international airports and seaports, enhancing trade and logistics efficiency.
- Road and railway networks, linking key business hubs and industrial zones.

Government Incentives

The Philippines offers a competitive investment climate, bolstered by policies such as:

- The **CREATE MORE** Act, which grants income tax holidays and offers targeted incentives for priority industries.
- The **Strategic Investment Priority Plan (SIPP)**, which provides tax holidays and subsidies for high-value projects.

Special Economic Zones (SEZs) and **Public-Private Partnerships (PPPs)** that support manufacturing, IT, and logistics businesses.

Regional Integration & Trade Agreements

The Philippines is a key player in the Regional Comprehensive Economic Partnership (RCEP), the world's largest free trade agreement. This provides:

- Greater market access to ASEAN, China, Japan, South Korea, Australia, and New Zealand.
- Tariff reductions and simplified trade processes, making Philippine exports more competitive.
- Stronger supply chain integration, boosting industrial and agricultural exports

With sustained GDP growth, expanding investment opportunities, and strong economic drivers, the Philippines remains a prime destination for business and investment in 2025. Government policies, regional trade integration, and infrastructure advancements continue to enhance the country's competitiveness, making it a compelling choice for companies looking to expand in Southeast Asia.

Taxation and Amendments

CREATE MORE Act: Overview of Tax Cuts, Incentives and Impact on Business and Foreign Investment

Republic Act No. 12066 Empowering Economic Recovery and Investment Growth, the **CREATE MORE Act** builds upon the reforms introduced by the **CREATE Act** and aims to further **Maximize Opportunities for Reinvigorating the Economy (MORE)**.



Below is a comparison of the CREATE and CREATE MORE ACT: Income Tax-Based Incentives:

Special Corporate Income Tax (SCIT) – Available to Registered Export Enterprise only	
5% gross income tax in lieu of (SCIT):	National, local taxes, and local fees and charges.
Commencement of availment:	Upon election of Registered Export Enterprise: <ul style="list-style-type: none"> • After Income tax holiday; or • Outright from actual start of commercial operations
Period of availment:	<ul style="list-style-type: none"> • Granted by Investment Promotion Agencies • (P15 billion and below investment capital) Incentive (Period): Income tax Holiday (4-7 years) + Special Corporate Income Tax (10 years) OR Outright Special Corporate Income Tax (14-17 years) <ul style="list-style-type: none"> • Granted by Fiscal Incentives Review Board (Above P15 billion investment capital) Incentive (Period): Income tax Holiday (4-7 years) + Special Corporate Income Tax (20 years) OR Outright Special Corporate Income Tax (24-27 years)

Enhanced Deduction Regime (EDR) – Available to Registered Export Enterprise and Domestic Market Enterprise

20% Income tax rate based on taxable income

Rate of Enhanced Deduction	<ul style="list-style-type: none">• 100% Power Expense• 50% Reinvestment allowance for manufacturing and tourism industry• 50% Expenses on exhibitions, trade missions, or trade fairs
Carry-over period of NOLCO	5 taxable years following the last year of ITH entitlement
Commencement of availment	Upon election of Registered Export Enterprise: <ul style="list-style-type: none">• After Income Tax Holiday; or• Outright from actual start of commercial operations
Period of availment	<ul style="list-style-type: none">• Granted by Investment Promotion Agencies 14 -17 years• Granted by Fiscal Incentives Review Board 24 – 27 years

Covered Transactions	Directly attributable to the registered activity of the Registered Export enterprise or High Value Domestic Market Enterprise including incidental expenses
Zero-Rated Sales to Registered Export Enterprise or High Value Domestic Market Enterprise	<p>Sale of goods/services to Registered Export Enterprise or High Value Domestic Market Enterprise is subject to 0% VAT provided that the goods/services are directly attributable to the registered project or activity.</p> <p>Expenses attributable to the registered project or activity- administrative expenses, which shall include: janitorial services, security services, financial services, Consultancy services, marketing and promotion, and services rendered for administrative operations (human resources, legal, and accounting)</p>

Impact on Business:

- **Improved Profit Margins and Reinvestment Opportunities:** The tax cuts provide businesses with more financial flexibility, enabling them to reinvest earnings into operations, research and development (R&D), expansion, or workforce development.
- **Increased Business Competitiveness:** By lowering tax rates, the Philippines improves its standing as a business hub in the region, making it a more attractive destination for global businesses.
- **Reduced Compliance Costs:** The simplified processes reduce the burden on businesses, particularly smaller enterprises, which often struggle with complicated tax systems. This leads to cost savings that can be reinvested into business growth.
- **Increased Compliance and Transparency:** With clearer tax regulations and streamlined procedures, businesses are more likely to comply with the tax system, reducing instances of tax evasion or confusion.
- **Fostering a Business-Friendly Environment:** Simplification enhances the ease of doing business in the Philippines, making it a more attractive destination for both local entrepreneurs and foreign investors.

The **CREATE MORE Act** plays a critical role in **attracting Foreign Direct Investment (FDI)** to the Philippines. The law improves the overall investment climate and makes the country more competitive in the global marketplace.

How CREATE MORE Act Benefits Foreign Investors:

- **Lower Taxes and Incentives:** Foreign businesses can benefit from **lower corporate tax rates, tax holidays, and special incentives for strategic sectors**, making the Philippines a cost-effective and profitable destination for investments.
- **Clear and Transparent Tax System:** Simplified tax filing procedures and clearer incentive structures reduce the regulatory burden on foreign investors, making it easier for them to set up and operate businesses in the country.
- **Improved Business Environment:** With a more **business-friendly** and **predictable tax environment**, foreign investors can make long-term decisions with greater certainty, increasing the likelihood of sustained investments.

Conclusion

The **CREATE MORE Act** is a comprehensive strategy that maximizes opportunities for reinvigorating the Philippine economy. Through significant tax cuts and targeted tax incentives, the Act aims to make the Philippines a more attractive and competitive destination for both domestic and foreign investment. This reform package supports the country's recovery, fosters innovation, and positions the Philippines for sustainable growth across key sectors. By creating a more business-friendly environment, the CREATE MORE Act is a critical tool in strengthening the Philippine economy for the future.

Preferential Taxation: Incentives for Qualifying Industries under the Investment Promotion Agencies (IPA) and Foreign Investments Review Board (FIRB)

In the Philippines, the Investment Promotion Agencies (IPAs) and the Foreign Investments Review Board (FIRB) provide preferential tax incentives to encourage investment in key industries that drive economic growth.

Investment Promotion Agencies (IPAs):

IPAs administer tax incentives primarily to promote investments in sectors such as manufacturing, renewable energy, technology, and tourism. These incentives include:

1. **Income Tax Holidays (ITH):** Qualifying businesses are exempt from income taxes for a specified period, generally 4 to 7 years.
2. **Special Corporate Income Tax (SCIT):** A reduced 5% gross income tax in place of national and local taxes. This benefit can last up to 17 years for smaller investments and up to 27 years for large-scale investments.
3. **Enhanced Deductions:** These include deductions for business expenses like power expenses and reinvestment allowances (50% for certain industries like manufacturing and tourism).



4. VAT Exemptions or Zero-Rating: Exemptions are available for goods and services directly linked to the business's registered activities, lowering the operational costs.

5. Customs Duty Exemptions: Businesses may also benefit from exemptions on imports such as machinery, raw materials, and capital equipment.

Foreign Investments Review Board (FIRB):

FIRB reviews and approves foreign investments, ensuring they align with national economic and security interests. It is responsible for:

Approval of Incentives: FIRB ensures that foreign investments comply with regulatory requirements and can access the appropriate tax incentives through IPAs.

Investment Capital Assessment: FIRB assesses the size of investments to determine eligibility for incentives. Large investments often receive longer periods of tax benefits.

Regulation of Sensitive Industries: FIRB ensures that foreign investments do not jeopardize industries critical to national security.

Impact on Business and Economy:

These incentives serve to make the Philippines more attractive to both domestic and foreign investors by reducing their tax burdens and operational costs. The benefits include:

- **Increased Competitiveness:** Lower taxes and enhanced deductions help businesses remain competitive both locally and internationally.
- **Economic Growth:** Investment in key sectors such as technology, energy, and manufacturing leads to job creation, infrastructure development, and technological advancement.
- **Job Creation:** These tax incentives attract companies that create employment opportunities, thereby reducing unemployment rates.
- **Foreign Investment Attraction:** The clear and transparent tax system offered by IPAs and FIRB makes the Philippines an appealing destination for foreign capital, fostering economic integration.

In conclusion, **Preferential Taxation** administered through IPAs and FIRB plays a critical role in driving growth and innovation in the Philippine economy. By offering various tax incentives, the government encourages investment in strategic sectors that will contribute to long-term economic sustainability and job creation.

Ease of Paying Taxes

Signed into law as **Republic Act No. 11976**, aims to modernize and simplify the Philippine tax system, reducing bureaucratic hurdles and making tax compliance easier, especially for small and medium-sized enterprises (SMEs).

Simplified Taxpayer Classification

*Taxpayers are now classified into groups depending on their **Gross Sales**:*

Micro *less than 3M*

Small *3M to 20M*

Medium *20M to 1B*

Large *1B and above*



This classification ensures that compliance requirements are tailored to business size, reducing unnecessary burdens for SMEs

Electronic Filing and Payment

The law mandates the full digitalization of tax transactions, enabling businesses to file and pay taxes through wider adoption of the BIR's electronic filing and payment system (eFPS) and other accredited e-payment channels such as GCash, Maya, and online banking portals.

Removal of Unnecessary Documentary Requirements

Simplifies the filing process by eliminating redundant documentary requirements that previously slowed down compliance and Reduces the need for manual interventions, which helps curb corruption and inefficiencies.

Reduced Interest and Penalty Rates for Micro and Small Taxpayers

Civil Penalties - 10%

- Late filing and payment
- Late payment of deficiency tax
- Failure to pay full or partial tax



Imposition of Interest - 6%

On any unpaid tax amount

Compromise Penalty - 50%

For Tax Code violations not involving fraud

Penalty for failure to file information returns - P500

Sales Invoice as Primary Document

EOPT provides that all transactions whether involving goods or services, must be issued a Sales Invoice (SI). This simplifies documentation by removing the distinction between sales of goods and services. Businesses no longer need to issue both Sales Invoices and Collection Receipts, reducing administrative tasks and potential errors in tax reporting.

Simplify Your Tax Invoicing & Claim Up to 100% More in e-invoicing Cost Deductions!

Running an online shop or growing business is rewarding, but handling taxes? Not so much. The endless piles of paper invoices, messy record-keeping, and anxiety over meeting tax deadlines can quickly turn success into stress. Sound familiar?



You're not alone. This exact scenario is why Rev. Reg. (RR) No. 11-2025 has arrived—to transform and simplify tax invoicing and reporting processes across the Philippines. This regulation not only streamlines your paperwork and reduces errors but also offers significant additional tax deductions—up to 100% for micro and small businesses and 50% for medium and large enterprises—to help offset the costs of going digital. Think of RR 11-2025 as your trusted digital partner in navigating the tax landscape.

Why Was RR 11-2025 Needed?

Before RR 11-2025, businesses faced a messy, paper-heavy invoicing system prone to errors, fraud, and inefficiency. Manual invoice processing was slow, costly, and cumbersome, leaving businesses vulnerable to inaccuracies during audits and refunds. Companies struggled to keep pace, with inconsistencies in compliance causing headaches for business owners and revenue loss for the government.

What's New?

RR 11-2025 introduces significant changes, especially around electronic invoicing and sales reporting:

i. Mandatory Electronic Invoicing System (EIS):

- Required for large taxpayers, e-commerce businesses, and companies using computerized accounting systems (CAS).
- The system electronically generates invoices with structured data that can be readily transmitted to the Bureau of Internal Revenue (BIR).

ii. Electronic Sales Reporting System (ESRS):

- Automated direct reporting of sales data to the BIR, eliminating manual data entry.
- Businesses engaged in export, POS systems, or operating digital platforms must also comply once the BIR system is operational.

iii. Additional Tax Deductions:

- To encourage compliance, micro and small businesses can deduct 100% more of the cost of setting up the electronic system from taxable income.
- Medium and large businesses can claim a 50% more deduction of these costs.

Who Benefits and How?

- **Individual Taxpayers:** Reduced risk of errors and faster audits, with easier record management.
- **Businesses:** Greater accuracy in tax compliance, decreased administrative costs, and significant tax incentives for adopting electronic systems.
- **Local Government Units (LGUs):** Improved revenue collection efficiency and enhanced data transparency.
- **Investors and Developers:** Greater confidence due to transparency and clarity in business and tax operations.

What Taxpayers Should Do Now?

Compliance is straightforward:

1. Identify if your business falls under the mandated categories.
2. Invest in accredited electronic invoicing systems.
3. Prepare for direct system integration with BIR for automatic sales reporting.
4. Avail yourself of the allowable tax deductions within the first year after implementing the system.

Be aware: Non-compliance could lead to penalties under Sections 264 and 264-A of the Tax Code

Who Are Exempted and What Are Their Options?

Micro taxpayers are exempt from the mandatory electronic invoicing requirement. However, this exemption doesn't prevent micro taxpayers who are already using electronic invoices from continuing their use or opting to adopt electronic invoicing voluntarily. For those choosing not to use electronic invoicing, traditional manual invoices or systems such as Computerized Accounting Systems (CAS), Cash Register Machines (CRM), or Point-of-Sale (POS) systems are acceptable alternatives.

Takeaway

RR 11-2025 is not just another regulatory hurdle—it's a strategic upgrade. Now's the time for businesses, especially those in e-commerce and digital platforms, to transition to this new digital invoicing standard.

Regulatory Developments Shaping Business in the Philippines



The Philippine business environment continues to evolve with newly enacted laws designed to enhance economic growth, promote local industries, and modernize regulatory frameworks.

These key legislative changes impact taxation, trade, public-private partnerships, e-commerce, and financial compliance, shaping a more competitive and investor-friendly landscape.

Tatak Pinoy (Proudly Filipino) Act (RA 11981)

The Tatak Pinoy Act aims to boost the competitiveness of Filipino industries by promoting locally made products and services.

It establishes the Tatak Pinoy Strategy, a long-term initiative designed to encourage economic growth through domestic manufacturing, service excellence, and innovation.

A Tatak Pinoy Council will oversee implementation, ensuring that local businesses receive adequate support in terms of funding, technology, and market access.

Furthermore, the law encourages government procurement of Filipino-made products, reinforcing a national preference for locally produced goods.



This law opens up new opportunities for **local manufacturers, service providers, and small businesses** by ensuring greater government and consumer preference for Filipino-made products. Enterprises that align with the initiative may receive incentives and funding, encouraging innovation and expansion. However, foreign businesses operating in the Philippines may need to adjust their sourcing and compliance strategies to accommodate the shift toward local procurement policies.

Public-Private Partnership (PPP) Code (RA 11966)

The PPP Code of the Philippines standardizes the rules governing infrastructure projects involving private sector participation. By streamlining approval processes, expanding financing options, and ensuring dispute resolution mechanisms, the law aims to attract more private investments into public infrastructure. This update enhances investor confidence by clarifying legal protections and encouraging long-term collaborations between the government and private entities.

Key provisions:

- Establishes a clear and consistent framework for PPP projects.
- Streamlines the approval process to reduce delays.
- Enhances legal protection for investors and introduces a faster dispute resolution mechanism.
- Encourages private investments in transport, energy, and telecommunications infrastructure.



Internet Transactions Act (RA 11967)

The Internet Transactions Act aims to regulate e-commerce platforms and online transactions, ensuring consumer protection and data security.



With the rapid growth of digital commerce in the Philippines, this law mandates online business registration, cybersecurity measures, and stricter penalties for fraud to foster a safer online marketplace.

Key provisions:

- Requires registration of online businesses under the Department of Trade and Industry (DTI).
- Strengthens consumer protection laws for e-commerce transactions.
- Mandates data privacy and cybersecurity compliance for online platforms.
- Introduces penalties for fraudulent digital transactions.

New Government Procurement Act (RA 12009)

The New Government Procurement Act modernizes how government agencies acquire goods and services by mandating digital procurement systems and enhancing transparency.



The law introduces anti-corruption provisions and fosters greater competition among businesses, ensuring fairer bidding processes.

Key provisions:

- Requires e-procurement systems for government transactions.
- Increases competition and transparency in the bidding process.
- Implements stricter anti-corruption safeguards to prevent fraud.
- Encourages greater participation of SMEs and local suppliers.

VAT on Non-Resident Digital Service Providers (RA 12023)

This policy requires foreign digital service providers such as Netflix, Google, and Facebook to register with the BIR and pay a 12% VAT on their services to Filipino consumers. The regulation aims to level the playing field for local and international digital platforms.



Key provisions:

- Imposes 12% VAT on foreign digital services.
- Covers streaming platforms, online advertising, and cloud-based services.
- Requires foreign providers to register with the BIR for tax compliance.

Retail Trade Liberalization Law (RA 11595)

Amendments to the Retail Trade Liberalization Law significantly reduces the capital requirements for foreign retailers, making it easier for global brands to enter the Philippine market. It removes restrictions that previously favored local retailers.

Key provisions:

- Lowers the minimum paid-up capital for foreign retailers to Php25-Million (roughly \$500,000).
- Allows 100% foreign ownership of retail businesses.
- Implements strict consumer protection laws for foreign retailers.



EMPLOYMENT AND LABOR

Philippine Labor Market Update – January 2025

The latest labor data shows a slight increase in unemployment, reflecting seasonal labor shifts. The unemployment rate rose to 4.3%, up from 3.2% in November 2024 and 3.9% in October 2024.

Despite this increase, the employment rate remains high at 95.7%, with 48.49 million Filipinos employed. However, underemployment increased to 13.3%, suggesting that more workers are seeking additional work hours. These trends indicate a temporary adjustment in the labor market, with ongoing economic resilience and opportunities for job growth in key sectors.



Key Differences from Previous Months Include:

- **Slight Increase in Unemployment:** The unemployment rate rose to **4.3%** in January 2025, up from **3.2%** in November 2024, indicating a seasonal labor market shift.
- **Higher Employment Rate:** The employment rate remains strong at **95.7%**, though slightly lower than **96.8%** in November 2024.
- **Increase in Underemployment:** The underemployment rate rose to **13.3%** in January 2025, from **10.8%** in November 2024, suggesting more workers are seeking additional hours.

Total Employed (millions)	48.49	49.54	48.16	Slight decline from November 2024
Underemployment Rate	13.3%	10.8%	12.6%	Suggests more workers seeking additional hours

Indicator	January 2025	November 2024	October 2024	Remarks
Unemployment Rate	4.3%	3.2%	3.9%	Increased from November 2024
Total Unemployed (millions)	2.16	1.66	1.97	Reflects an increase in unemployed individuals

These trends indicate a seasonal employment fluctuation, with a higher unemployment rate and increased underemployment compared to the last quarter of 2024. However, the labor force participation rate remains strong, reflecting ongoing economic resilience.

Key Legislative Developments Impacting Labor and Infrastructure

Recent laws and executive orders in the Philippines are shaping employment and economic growth by strengthening local industries, improving worker benefits, and streamlining infrastructure projects.

- **Tatak Pinoy Act (February 2024)** – Encourages innovation and local manufacturing to create more jobs and boost economic competitiveness.
- **Self-Reliant Defense Posture Act (October 2024)** – Supports defense industry growth through incentives, generating employment in military manufacturing.)
- **Executive Orders** –
 - **EO No. 59:** Speeds up permits for major infrastructure projects.
 - **EO No. 64:** Increases government employee salaries.
 - **EO No. 72:** Enhances efficiency in infrastructure planning.

These measures are expected to boost job opportunities, improve wages, and accelerate economic expansion across multiple sectors

Hybrid Work & Remote Employment Trends 2024

The shift towards hybrid and remote work continues to shape employment patterns in the Philippines, especially in technology, finance, and business process outsourcing (BPO) industries. Companies are adopting flexible work models to attract and retain talent, ensuring higher productivity and work-life balance.

The Philippine government is reviewing tax policies for remote workers, with experts advocating for favorable tax incentives to support digital employment opportunities. Policymakers emphasize the need to balance regulatory adjustments with evolving workforce demands to maintain productivity while ensuring worker protections.

Sectoral Employment and Economic Implications

The services sector remains the largest employer, followed by agriculture and industry. However, agriculture and forestry saw a significant job loss, while construction and transportation recorded notable growth.

Sector	Employment Change (YoY, 2024)	Key Insights
Agriculture & Forestry	-1.56 million	Experienced the largest decline due to seasonal trends and structural challenges.
Manufacturing	-387 thousand	Affected by economic fluctuations and shifts in global demand.
Wholesale & Retail Trade	-106 thousand	Declined due to changing consumer behaviors and e-commerce growth.
Construction	+263 thousand	Driven by public and private infrastructure projects.
Transportation & Storage	+555 thousand	Benefited from increased mobility and logistics demand.

Services Sector	Sustained Growth	Boosted by digital transformation and expansion in administrative support and social services.
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Key Employment Trends

- **Unemployment Rate: 3.1%** (same as December 2023).
- **Employment Rate: 96.9%** (stable compared to last year).
- **Underemployment Rate: 10.9%** (a slight decrease from 11.9% in December 2023).
- **Labor Force Participation Rate: 65.1%** (lower than 66.6% in December 2023).

Major Job Gains (YoY 2024):

- ✓ Transportation & Storage: **+555K**
- ✓ Construction: **+263K**
- ✓ Administrative & Support Services: **+223K**

Largest Job Losses (YoY 2024):

- ✗ Agriculture & Forestry: **-1.56M**
- ✗ Manufacturing: **-387K**
- ✗ Other Services: **-166K**

FOREIGN EXCHANGE RATES AND CURRENCY

- **Current Exchange Rates:** Analysis of the Philippine Peso (PHP) against major currencies and its volatility.
- **Impact of FX Fluctuations on Business:** Strategies for businesses to manage currency risks.
- **BSP's Role in Currency Stabilization:** How the Bangko Sentral ng Pilipinas (BSP) addresses inflation and forex stability.



Foreign Exchange and Currency Stability in the Philippines

Current Exchange Rates and Trends

The **Philippine Peso (PHP)** has been subject to fluctuations against major global currencies, including the **US Dollar (USD)**, **Euro (EUR)**, and **Japanese Yen (JPY)**. These fluctuations are influenced by both domestic and international factors, such as **interest rate changes**, **economic growth patterns**, and **global trade dynamics**.

As of **March 6, 2025**, the exchange rates for the Philippine Peso were as follows:

- **US Dollar (USD):** PHP 57.00 (buying), PHP 57.50 (selling)
- **Euro (EUR):** PHP 60.50 (buying), PHP 63.50 (selling)
- **Japanese Yen (JPY):** PHP 0.3780 (buying), PHP 0.3966 (selling)

The peso's volatility has been especially pronounced in response to global economic factors, such as the interest rate hikes by the **U.S. Federal Reserve**, **inflationary pressures**, and **geopolitical tensions**. For instance, recent economic data has shown that **inflation** remained at **2.9%** in **January 2025**, and in **December 2024**, the inflation rate was **3.2%** for the year, aligning with the Bangko Sentral ng Pilipinas' (BSP) target range.

Impact of Foreign Exchange Fluctuations on Businesses

Currency fluctuations can pose both risks and opportunities for businesses operating in the Philippines. For companies that rely on imports for raw materials or services, a weakening peso increases costs, which can negatively affect profit margins. On the other hand, a weaker peso can benefit exporters, as their goods and services become more affordable in global markets.

To manage **currency risk**, businesses can adopt the following strategies:

- **Hedging:** Using financial instruments such as **forward contracts, currency options, and futures contracts** to lock in exchange rates and mitigate future currency risks.
- **Diversification:** Spreading **suppliers and customers** across various regions can help reduce dependency on any one currency.
- **Optimizing Cash Flow:** By maintaining **foreign currency reserves or utilizing currency** matching techniques, businesses can mitigate adverse effects of currency fluctuations.
- **Real-time Monitoring:** Companies should keep a close watch on **BSP policies and global market trends** to adjust their strategies accordingly.

The **Bangko Sentral ng Pilipinas (BSP)** plays an integral role in maintaining **forex stability** and **controlling inflation**. The BSP achieves this through a combination of **monetary policy adjustments** and **direct interventions in the foreign exchange market**.

Key actions taken by the BSP include:

- **Interest rate adjustments:** By raising or lowering key policy rates, the BSP can influence capital inflows and outflows, which directly affect the value of the peso. In **February 2025**, the BSP raised interest rates to combat inflation, which was hovering around 3%.
- **Forex market interventions:** The BSP uses **foreign exchange reserves** to stabilize the peso by buying or selling the local currency in the market, particularly when speculative forces lead to undue volatility.
- **Managing inflation:** Through careful **monetary policy decisions**, the BSP works to keep inflation within a target range (currently set between **2% and 4%**), thus preserving purchasing power and currency stability.

By effectively managing these strategies, the BSP fosters confidence in the economy, encouraging both local and international investments. Businesses are advised to stay **well-informed of BSP policies** to navigate the effects of foreign exchange fluctuations more effectively.

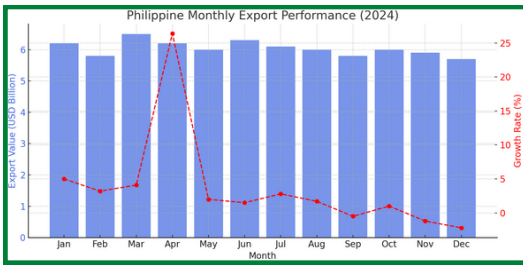
Exports and Trade: The Philippines in the Global Market

The Philippines continues to strengthen its position in the global market, with key export sectors demonstrating resilience and growth. Electronics remain the country's leading export, accounting for over 50% of total outbound shipments. Semiconductors and electronic components drive this sector, supported by increasing global demand for smart devices, electric vehicles, and digital infrastructure.

Agricultural exports also play a crucial role, with coconut products, bananas, and processed food items seeing increased demand, particularly in Asia and the Middle East. The country's strong agribusiness sector benefits from government initiatives that promote sustainable farming practices and improved supply chain efficiency.

Meanwhile, the Business Process Outsourcing (BPO) industry remains a top service export, with the Philippines continuing to be a global leader in customer service, IT-enabled services, and knowledge process outsourcing. The increasing adoption of artificial intelligence (AI) and automation is transforming the industry, prompting firms to upskill employees and enhance service offerings to remain competitive.





Philippine Export Performance in 2024

The graph presents the monthly export performance of the Philippines for the year 2024. It highlights both the total export value (in billion USD) and the year-on-year growth rate (%) for each month.

Key Observations:

1. Fluctuating Export Values – Export values showed variability throughout the year, with some months experiencing significant declines due to external economic conditions, global demand shifts, and sector-specific challenges.

2. Major Declines in Key Sectors – Electronic products, the country's top export sector, faced notable decreases in export value, particularly in December 2024, which saw a drop of USD 577.61 million. Other sectors, including travel goods and apparel, also reported contractions.

3. Trade Challenges and Recovery Efforts – The decline in exports in the latter months of 2024 reflects ongoing global supply chain disruptions, fluctuating foreign demand, and economic uncertainties. However, government initiatives, such as trade agreements and export development programs, aim to support exporters in mitigating these challenges.

While 2024 presented difficulties for Philippine exports, the implementation of trade facilitation measures and economic recovery efforts can help stabilize the country's export performance in the coming years. Strengthening key industries, diversifying export markets, and enhancing competitiveness will be crucial in reversing the downward trend.

Philippine Export Contributions by Sector (2024)

Below is a visual representation of the country's top export sectors:

Commodity Group	Export Value (USD Million)	Percentage of Total Exports (%)
Electronic Products	42,180	56.5%
Other Manufactured Goods	8,560	11.5%
Other Mineral Products	6,740	9.0%
Machinery & Transport Equipment	5,210	7.0%
Wiring Sets (Vehicles, Aircraft, Ships)	4,920	6.6%

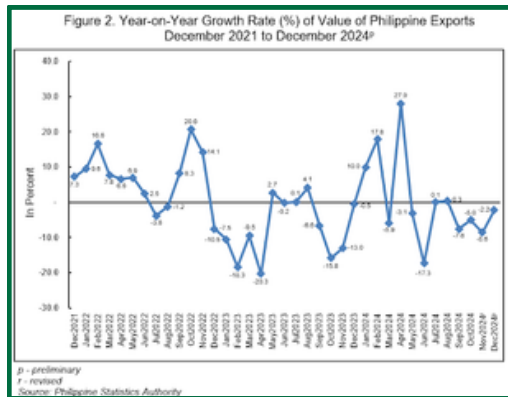


The bar chart illustrates the Philippines' trade performance in 2024 based on the latest data from the Philippine Statistics Authority (PSA).

- Total Exports amounted to **\$74.6 billion**.
- Total Imports reached **\$117.8 billion**, significantly exceeding exports.
- Total Trade (sum of exports and imports) was **\$192.4 billion**.
- The Balance of Trade showed a deficit of **\$43.2 billion**, indicating that imports outweighed exports.

This data highlights the country's trade imbalance, with a notable trade deficit due to higher import expenditures compared to export earnings.

Here's a bar chart visualizing the contribution of each sector to the Philippines' export



Trade Agreements: Leveraging the Benefits of RCEP

The Philippines' participation in the Regional Comprehensive Economic Partnership (RCEP) is a game-changer for export businesses. As the world's largest trade pact, RCEP provides Philippine exporters with preferential access to a vast network of markets, including ASEAN member states, China, Japan, South Korea, Australia, and New Zealand.

Under RCEP, businesses benefit from:

- Reduced tariffs on a wide range of goods
- Simplified rules of origin, making it easier for Philippine products to qualify for preferential treatment
- Enhanced trade facilitation measures to speed up customs processing and reduce trade barriers

This agreement opens new opportunities for Philippine manufacturers, especially in electronics, textiles, and food processing, allowing them to penetrate larger markets at lower costs. Additionally, RCEP promotes foreign direct investment (FDI) by ensuring a more predictable and transparent trade environment, making the country an attractive hub for international businesses looking to expand in the Asia-Pacific region.

Customs & Duties: Navigating the Import/Export Process

Understanding the country's customs regulations and tariff structures is crucial for businesses engaged in international trade. The Bureau of Customs (BOC) has implemented several modernization initiatives, including:

- **Digitalization of clearance procedures**
- **Automated customs systems** to streamline processing and reduce bureaucratic delays
- **Trade facilitation programs**, such as the **Export Development Council (EDC)** and the **National Single Window (NSW)**, to help exporters com

Tariff Rates & Free Trade Agreements

Tariff rates vary depending on the product classification and country of origin, but businesses benefit from lower duties on goods covered under free trade agreements (FTAs) like RCEP.

To further support exporters, the Department of Trade and Industry (DTI) has introduced various incentive programs, including:

- **Tax breaks** for exporters
- **Financial assistance for SMEs** looking to expand internationally
- **Capacity-building programs** to enhance global competitiveness

These efforts aim to strengthen the Philippines' position in the international market, ensuring a more efficient and transparent trading system while helping businesses maximize the benefits of global trade agreements.

New Regulations and Business Environment

Digitalization in Government Services: The role of the government's ease of doing business initiatives and how it impacts service delivery and compliance.

Starting a business in the Philippines requires meeting various regulatory requirements from agencies such as the Department of Trade and Industry (DTI) for sole proprietorships and the Securities and Exchange Commission (SEC) for corporations and partnerships. Entrepreneurs must also register with the Bureau of Internal Revenue (BIR), local government units (LGUs), and other pertinent agencies. The process can take time, but there are several ways to streamline the registration. Here's how:





1. Select the Right Business Structure and Name in Advance

Before beginning the registration process, decide on the appropriate business structure—whether it's a sole proprietorship, partnership, corporation, or one-person corporation (OPC). Also, check the availability of your preferred business name using DTI's Business Name Registration System (BNRS) or SEC's Company Registration System (CRS) to avoid delays due to name conflicts.

2. Gather All Required Documents Ahead of Time

Each agency has specific requirements, and missing paperwork can cause delays. Ensure you have the necessary documents for:

- DTI registration (for sole proprietorships)
- SEC registration (for corporations and partnerships)
- Articles of Incorporation and By-Laws (for corporations)
- Taxpayer Identification Number (TIN) and BIR Form 1901 or 1903
- Barangay clearance
- Mayor's permit or business permit
- SSS, PhilHealth, and Pag-IBIG registrations

3. Use Online Registration Platforms

Many government agencies have set up online systems to make the registration process more efficient:

- **DTI BNRS:** For registering business names online
- **SEC eSPARC:** For registering corporations and partnerships
- **BIR Online Registration and Update System (ORUS):** For obtaining TIN and registering with the BIR
- **LGU Online Services:** Some municipalities offer online business permit applications

4. Take Advantage of Integrated Business Permits with LGUs

Some LGUs provide a “One-Stop Shop” system that combines various local requirements (barangay clearance, mayor's permit, etc.) into one application. Check if your local government offers this service to avoid having to visit multiple offices.

5. Hire a Business Consultant or Legal Professional

Engaging a lawyer or business consultant who specializes in Philippine business registration can help simplify the process. They can assist in ensuring compliance, minimizing errors, and managing the registration process, ultimately reducing the risk of delays.

6. Consider the SEC's One-Person Corporation (OPC) Registration

If you want to establish a corporation with fewer formalities, the OPC structure allows for a single stockholder to form a corporation without needing other incorporators. This reduces paperwork and shortens approval time compared to traditional corporations.



7. Follow Up with Government Agencies

Regularly Keep in touch with the relevant agencies to ensure your application is processed without unnecessary delays. Prompt follow-ups help resolve issues like unclaimed documents or additional verification requirements.

8. Understand Your Tax Responsibilities Early

After registering, make sure you're aware of your tax obligations, such as securing the BIR Certificate of Registration (Form 2303) and registering official receipts and invoices. Early awareness and compliance with these requirements can prevent delays in starting business operations.

By following these strategies, you can significantly accelerate the business registration process in the Philippines.

- **Updates on Business Registration:** How new regulations streamline or complicate the process for setting up a business.

The Philippine government faced significant productivity challenges due to outdated systems, soiled operations, and excessive bureaucracy. These issues led to delays, higher costs, low public trust, and inefficient services for citizens and businesses, compounded by a lack of centralized identity verification and data-sharing systems. Disparities in digital infrastructure, especially in underserved areas, further limited access to essential government services.

To address these issues, the government launched a Digital Transformation initiative, which includes several integrated platforms designed to streamline operations and improve service delivery. Key solutions include:

1. **eGovPH Superapp:** A centralized platform that integrates over 24 eGovernment services, enabling citizens and businesses to handle transactions like payments, permits, and reports through a single interface. The app simplifies access with single sign-on features and plans to expand to 30 platforms by 2024, reaching 10 million users.
2. **Digital National ID & eVerify:** The Digital National ID system provides secure and unified identity verification, reducing the need for repeated documentation. The eVerify system allows remote, secure identity authentication, enhancing service delivery and reducing fraud.
3. **eGovPay:** A secure government payment gateway that consolidates payment methods for taxes, permits, and services, improving financial transaction efficiency and transparency.
4. **eGovDX:** A platform enabling secure data-sharing across government agencies, streamlining public services and improving operational efficiency.
5. **eHealth & eLGU Systems:** The eHealth platform enhances healthcare delivery through virtual consultations and electronic medical records, while the eLGU system automates local government processes like business permits and barangay clearances, improving transparency and efficiency.

These initiatives have led to a significant improvement in government productivity by reducing bureaucratic barriers, cutting costs, and enhancing interagency coordination. Citizens now enjoy faster and more accessible services, promoting transparency and trust in government operations.

However, challenges remain. Breaking down silos between agencies was difficult due to legacy systems and resistance to change. Additionally, ensuring data privacy and cybersecurity, particularly for sensitive personal information, remains a priority. Disparities in digital infrastructure also created uneven access to services in underserved areas. Moving forward, improving user interfaces, system adaptability, and strengthening cybersecurity will be key to making the transformation more inclusive and resilient.

- **Environmental Compliance:** How businesses must address environmental sustainability and reporting under new laws.

Extended Producer Responsibility (EPR) Act of 2022
Republic Act No. 11898

The Philippines has introduced a robust set of environmental laws to protect its natural resources. A key piece of legislation is the Extended Producer Responsibility (EPR) Act of 2022 (Republic Act No. 11898), which requires companies to manage the waste produced by their products. This law came into effect on August 12, 2022.

Objectives:

- Reduce plastic waste pollution
- Encourage waste reduction, recovery, and recycling
- Tackle the Philippines' status as a major plastic polluter

Requirements for Companies:

- Companies must recover a set percentage of their plastic packaging waste annually.
- Companies are required to meet waste diversion targets (redirecting waste away from landfills).
- Companies must submit annual compliance reports to track progress.
- Companies are obligated to hire an independent third-party auditor to verify their compliance.

Ways Companies Can Comply:

- Buy back materials or waste directly from consumers.
- Set up collection hubs where consumers can drop off waste.
- Organize clean-up initiatives to collect plastic waste.
- Establish waste management facilities, including recycling, composting, and thermal treatment centers.

Establish waste management facilities, including recycling, composting, and thermal treatment centers.

Penalties for Non-Compliance:

- Companies failing to meet diversion targets will incur fines.
- A third offense may result in the suspension of the business permit until the company complies with the law.

Key Environmental Compliance Areas for Businesses

To comply with these laws, businesses in the Philippines must adhere to several environmental guidelines. The following are critical compliance areas:

1. Permits and Clearances

- Businesses must secure the necessary environmental permits and clearances before starting operations, including:
- Environmental Compliance Certificate (ECC)
- Discharge Permits for wastewater
- Permit to Operate (PTO) for air-polluting sources

2. Air and Water Pollution Control

Companies are required to implement measures to control emissions and effluents within the standards set by the Department of Environment and Natural Resources (DENR).

3. Waste Management

In line with the Ecological Solid Waste Management Act, businesses must adopt sound waste management practices, focusing on recycling, reusing, and reducing waste.

4. Hazardous Materials and Chemicals

Businesses handling hazardous materials must comply with the Toxic Substances and Hazardous and Nuclear Wastes Control Act to ensure the safe handling, storage, and disposal of such materials.

The Business Benefits of Environmental Compliance

Adhering to environmental regulations not only helps businesses avoid legal penalties but also brings numerous benefits:

- **Reputation:** Companies recognized for their environmental efforts are often more attractive to consumers, investors, and partners.
- **Operational Efficiency:** Implementing eco-friendly practices can reduce costs in the long term through efficient use of resources and waste reduction.
- **Market Opportunities:** Compliance opens doors to new opportunities in green markets and sectors focused on sustainable products and services.

Strategies for Ensuring Compliance

To maintain compliance with environmental regulations, businesses can implement the following strategies:

1. Environmental Management Systems (EMS)

- Establishing an EMS, such as ISO 14001, can help businesses manage their environmental impacts systematically.

2. Regular Training and Awareness

- Educating employees about environmental laws and the company's policies fosters a culture of compliance.

3. Compliance Audits

- Conducting regular environmental audits helps identify compliance gaps and areas for improvement before they escalate into legal issues.

4. Engagement with Communities and Stakeholders

- Building strong relationships with local communities and stakeholders can assist with compliance, especially for businesses relying on natural resources or operating in sensitive areas.

The Growing Importance of ESG Reporting

Environmental, Social, and Governance (ESG) reporting is becoming increasingly vital for businesses in the Philippines. As the country strives to achieve the United Nations Sustainable Development Goals (SDGs), businesses are expected to play an active role in addressing both environmental and social challenges.

Since 2023, all Publicly Listed Companies (PLCs) in the Philippines with a public float of at least 50% are required to submit annual ESG reports, adhering to guidelines set by the Securities and Exchange Commission (SEC), in line with Global Reporting Initiative (GRI) standards. Medium to large companies that are not legally required to submit reports are encouraged to do so voluntarily to promote good business practices and ensure mindfulness in all aspects of operations.

Three Main ESG Reporting Areas in the Philippines

The ESG reporting guidelines cover three main areas of sustainability:

- **Economic:** Focuses on the PLC's impact on its employees, customers, suppliers, and the community.
- **Environmental:** Addresses the PLC's impact on the natural environment, such as its greenhouse gas emissions, waste generation, and water usage.
- **Social:** Covers the PLC's commitment to human rights, labor standards, boardroom diversity, anti-corruption efforts, executive compensation, and corporate governance.

ESG Reporting Criteria

To ensure the quality of ESG reports, businesses must adhere to the following criteria:

- **Materiality:** Companies should focus on areas that are most relevant to their core business operations.
- **Accuracy and Completeness:** Companies are required to provide credible and verified data for the information in their reports.
- **Comparability:** Consistent methodologies and frameworks must be used across all sustainability reports.
- **Timeliness:** ESG reports should be published promptly on an annual basis.



Operating an NGO/Foundation in the Philippines

Operating a Non-Governmental Organization (NGO) or foundation in the Philippines involves navigating a complex landscape of legal frameworks, tax regulations, and governance standards. This handbook serves as a comprehensive guide to help you understand and comply with these requirements effectively, ensuring your organization operates smoothly and legally.



Legal Framework

NGOs in the Philippines operate under a robust legal framework designed to ensure transparency, accountability, and effective governance. Key legislative and regulatory instruments include:

- **Revised Corporation Code (RA 11232):** Governs the formation, operation, and dissolution of corporations, including non-stock corporations like NGOs and foundations. It outlines the legal structure, governance, and compliance requirements for these entities.
- **National Internal Revenue Code (RA 8424):** Provides the tax framework applicable to NGOs, detailing exemptions and obligations related to income tax, value-added tax (VAT), and other fiscal responsibilities.
- **Relevant SEC Circulars:** The Securities and Exchange Commission (SEC) issues circulars that provide detailed guidelines on registration, reporting, and compliance for NGOs. These circulars are essential for ensuring that NGOs meet all regulatory requirements.

Types of Organizations

NGOs in the Philippines can register under various categories, each with specific legal and operational implications:

- **Non-stock, Non-profit Corporations:** These are entities formed for purposes other than generating profit, such as charitable, educational, or cultural activities.
- **Accredited NGOs:** Organizations that meet specific criteria set by the Philippine Council for NGO Certification (PCNC) to qualify for tax benefits and other incentives.
- **Foundations:** A type of non-stock corporation that often requires a minimum endowment fund of PHP 1,000,000 to ensure financial stability and operational capability.
- **Microfinance NGOs:** Specialized NGOs that provide financial services to low-income individuals or communities, subject to specific regulatory requirements.

Registration Process

To legally operate, NGOs must undergo a thorough registration process:

- **Register with the Securities and Exchange Commission (SEC):** This involves submitting necessary documents, including articles of incorporation and by-laws, and meeting capital requirements (e.g., a minimum of PHP 1,000,000 for foundations).
- **Obtain Necessary Permits:** NGOs must secure permits from local government units and the Bureau of Internal Revenue (BIR) to ensure compliance with local and national regulations.
- **Accreditation from PCNC:** Accredited NGOs enjoy tax benefits and other incentives. Accreditation involves demonstrating compliance with governance and operational standards set by the PCNC.

Taxation and Exemptions

NGOs organized for charitable, religious, educational, or cultural purposes are generally exempt from income taxes. Additional benefits for accredited NGOs include:

- **Tax-deductible Donations:** Donors can deduct contributions to accredited NGOs from their taxable income, encouraging philanthropic support.
- **Preferential VAT Treatment:** Accredited NGOs may receive preferential treatment concerning VAT, reducing operational costs.
- **Import Duty Exemptions:** Certain goods imported by NGOs for their operations may be exempt from import duties, facilitating cost-effective procurement of necessary resources.

Financial Regulations and Reporting

NGOs must adhere to strict financial regulations to maintain transparency and accountability:

- **Annual Reporting to SEC:** This includes submitting General Information Sheets, Audited Financial Statements, and disclosure reports as per SEC Memorandum Circular No. 25, 2019.
- **Accounting Records and Expense Limits:** NGOs must maintain detailed accounting records and adhere to administrative expense limits, typically capped at 30% for accredited NGOs, to ensure funds are primarily used for their intended purposes.

Operational Guidelines

To maintain focus and integrity, NGOs must:

- **Operate Exclusively for Declared Purposes:** Activities should align with the organization's mission and objectives.
- **Avoid Private Inurement:** No part of the organization's income should benefit private individuals.
- **Limit Business Activities:** Any business activities should be incidental to the NGO's mission, ensuring the primary focus remains on its core objectives.

Governance and Compliance

Effective governance is crucial for the success and sustainability of NGOs:

- **Boards of Trustees:** Members should serve without compensation, although reasonable per diem may be provided. This ensures decisions are made in the organization's best interest.
- **Formal Governance Structures:** Implementing robust governance structures helps mitigate financial and operational risks, ensuring compliance with anti-money laundering and anti-terrorist financing regulations.

Dissolution Procedures

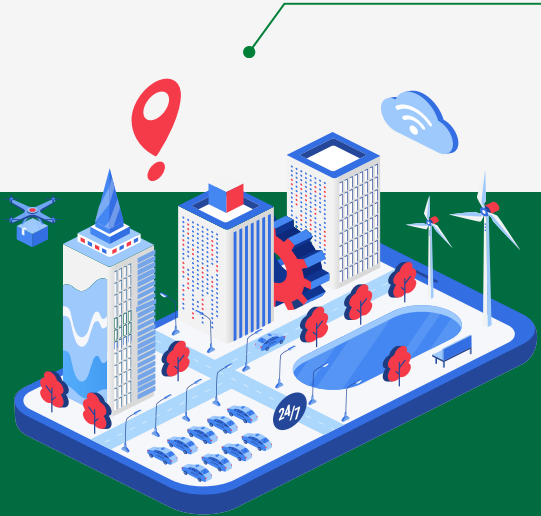
Upon dissolution, NGOs must handle assets responsibly:

- **Return to Donors:** If stipulated, assets should be returned to original donors.
- **Transfer to Similar Organizations:** Alternatively, assets can be transferred to similar accredited organizations or public entities for comparable purposes, ensuring continued support for the community.

GOVERNMENT PROJECTS AND INFRASTRUCTURE

THE "BUILD, BUILD, BUILD" PROGRAM: TRANSFORMING THE BUSINESS LANDSCAPE

The Philippine government's "Build, Build, Build" (BBB) infrastructure initiative remains a cornerstone of its economic strategy, aiming to catapult the nation into a new era of connectivity, efficiency, and competitiveness. With a substantial projected budget of PHP 1.3 trillion for 2025, the program's focus on modernizing and expanding roads, bridges, airports, and rail systems is designed to unlock significant economic potential and attract both domestic and international investment.



Impact on Logistics and Supply Chains:

- **Enhanced Transportation Networks:** Upgraded road and rail systems are expected to reduce transportation times and costs, benefiting sectors like manufacturing, agriculture, and e-commerce.
- **Improved Trade Facilities:** Modernized ports and airports will facilitate international trade, strengthening the Philippines' position as a regional logistics hub.
- **Reduced Urban Congestion:** Alleviating traffic in urban centers will lead to faster deliveries and lower operational expenses for businesses.

Stimulating Regional Development:

- **Balanced Growth:** Strategically distributed BBB projects aim to reduce disparities between urban and rural areas by promoting balanced regional growth.
- **New Market Opportunities:** Enhanced infrastructure in previously underserved regions opens new markets and encourages investment and job creation.
- **Tourism and Diversification:** Improved connectivity supports the development of tourism and other industries in remote areas, contributing to economic diversification.

Key Projects Under BBB:

- **North-South Commuter Railway:** Aims to create a seamless rail network connecting Metro Manila to surrounding provinces, reducing travel times and easing congestion.
- **Metro Manila Subway:** The country's first underground railway promises faster and more reliable urban transportation, improving daily commutes and business efficiency.
- **Cebu-Mactan Bridge and Expressway:** Enhances connectivity between Cebu and Mactan, boosting trade, tourism, and economic activity in the Visayas region.
- **Mindanao Railway Project:** Strengthens interconnectivity in Mindanao, fostering economic integration and unlocking the region's vast potential.

Key Projects Initiated in 2024:

- **Bataan-Cavite Interlink Bridge:** Envisioned as one of the world's longest marine bridges, this project aims to connect the provinces of Bataan and Cavite, significantly reducing travel time between Central Luzon and Southern Tagalog regions. The Asian Development Bank approved \$2.1 billion in funding in December 2023, with construction expected to commence in early to mid-2025.

Priority Projects for 2025:

- **NLEX-C-5 North Link (Segment 8.2):** This 11.5-kilometer segment will connect the existing NLEX Segment 8.1 (Mindanao Avenue Link) to Katipunan Avenue (C-5), including five interchanges. Construction of the first phase (Section 1A) is set to commence in February 2025, following the award of the contract to China Road and Bridge Corporation.

These projects underscore the government's commitment to enhancing infrastructure, which is expected to stimulate economic growth and improve the overall business landscape in the Philippines.

Smart Cities and Tech Infrastructure: Opportunities for Innovation

The Philippine government's commitment to smart city initiatives and digital transformation is creating fertile ground for innovation and technological advancement. Investments in 5G networks, AI-driven solutions, and digital payment systems are paving the way for a more efficient, sustainable, and digitally connected future.

Driving Digital Transformation

- **Enhanced Internet Connectivity:** The expansion of 5G networks and broadband infrastructure enhances internet connectivity, enabling businesses to adopt digital technologies and expand their online presence.
- **AI-Driven Urban Solutions:** AI-driven solutions for traffic management, public safety, and urban planning improve efficiency and enhance the quality of life for residents.
- **Promotion of Digital Payments:** The promotion of digital payment systems facilitates e-commerce and financial inclusion, expanding market access for businesses.

Opportunities for Technology Startups and Enterprises

- **Growing Demand for Smart Technologies:** The increasing demand for smart city technologies creates a thriving market for startups and enterprises specializing in Internet of Things (IoT), Artificial Intelligence (AI), data analytics, and cybersecurity.
- **Government Support:** Government initiatives and investments in digital infrastructure provide opportunities for businesses to develop and deploy innovative solutions.
- **Establishment of Tech Hubs:** The creation of tech hubs and innovation centers fosters collaboration and knowledge sharing, driving the growth of the tech industry.

Notable Smart City Projects

New Clark City

This model green city is designed to integrate sustainable technologies and smart infrastructure, creating a modern and environmentally friendly urban environment.

Status: *Phase 1 has been completed, with ongoing developments in subsequent phases focusing on residential, commercial, and industrial zones.*

Makati Smart City Project

This initiative focuses on integrating AI, IoT, and digital governance solutions to enhance efficiency, sustainability, and citizen engagement.

Status: *Pilot implementations are underway, with full-scale deployment planned over the next three years.*

Cebu Digital Hub This business and innovation center serves as a catalyst for the growth of the tech industry in Cebu, providing resources and support for startups and enterprises.

Status: *The hub is fully operational, with plans for expansion to accommodate more tech companies and incubators.*

Araneta City Cyberpark

Located in Quezon City, the Araneta City Cyberpark is a prime example of a modern business district integrating smart technologies. The development includes multiple high-rise office buildings equipped with sustainable features.

Status: *Cyberpark Tower 1 – Completed (2016)*

Cyberpark Tower 2 – Completed (2018)

Cyberpark Tower 3 – Topped off (June 2024), expected completion in 2025

Cyberpark Towers 4 & 5 – In conceptual planning stage, expected completion by 2030

Public-Private Partnerships (PPP): Expanding Investment Opportunities

The Public-Private Partnership (PPP) framework remains a crucial mechanism for infrastructure development in the Philippines, leveraging private sector expertise and resources to complement government investments. The amended Build-Operate-Transfer (BOT) Law and enhanced regulatory transparency are making PPPs more attractive to investors.

Attracting Private Sector Investment:

- PPPs enable the government to leverage private sector capital and expertise to fund and implement large-scale infrastructure projects.
- Risk-sharing models and government incentives make PPPs more attractive to investors, mitigating potential risks and ensuring project viability.
- Enhanced regulatory transparency and streamlined processes facilitate the efficient implementation of PPP projects.

High-Potential PPP Projects:

- **Airport Modernization Projects:** The expansion and modernization of key airports such as NAIA, Clark, and Davao are crucial for enhancing air connectivity and supporting the growth of the tourism and aviation industries. This includes new terminals, and updated cargo facilities.
- **Mass Transit Systems:** The development of new railways, urban transit lines, and bus rapid transit systems is essential for addressing traffic congestion and improving urban mobility. This also includes the development of supporting infrastructure.

- **Renewable Energy Infrastructure:** Investments in solar, wind, and hydroelectric projects are vital for ensuring energy security and promoting sustainable development. This includes the development of smart grids, and energy storage solutions.

Benefits to the Business Sector:

- PPPs create opportunities for construction companies, engineering firms, and other related businesses to participate in large-scale infrastructure projects.
- The development of new infrastructure improves connectivity, reduces business costs, and enhances the overall competitiveness of the Philippine economy.
- PPPs can also create long term revenue streams for the private sector investors.

By expanding on these points, we gain a more detailed understanding of the transformative impact of the BBB program on the Philippine business landscape.

Environmental, Social & Governance

Republic Act No. 12001: The Real Property Valuation and Assessment Reform Act

Republic Act No. 12001, also known as the *Real Property Valuation and Assessment Reform Act*, was passed on June 13, 2024. This significant legislation is designed to overhaul and rejuvenate the real property valuation and taxation system in the Philippines. The Act's preamble underscores the government's dedication to promoting sustainable development while ensuring fair, equitable, and nationwide uniformity in the valuation of real property.



Core Objectives of the Act

The Act sets forth several key objectives to create a more effective and just real property valuation framework:

1. Implementation of Valuation Standards (Section 3(a) & 13)

The Act emphasizes the adoption of the Philippine Valuation Standards (PVS), which are aligned with global standards. This standardization ensures consistency in property valuations, improving both accuracy and transparency.

2. Market Value as the Primary Basis for Valuation (Section 3(b) & 14)

The legislation requires the use of market value as the exclusive basis for property assessments, eliminating previous inconsistencies and aligning the valuation process with current market conditions.

3. Enhancing Fiscal Independence for Local Government Units (LGUs) (Section 3(c))

By improving the capacity of LGUs to generate revenue from real property, the Act aims to empower local governments, helping them provide essential services while addressing revenue inequalities.

4. Development of an Electronic Database (Section 3(e) & 22)

A comprehensive electronic database of real property transactions will be established to facilitate market research, improve understanding of trends, and enhance the accuracy of property valuations.

5. Fostering Ongoing Research and Development (Section 3(f))

The Act highlights the need for continuous research and updates in the field of property valuation to maintain alignment with global standards and best practices.

7. Promoting Transparency (Section 3(g))

Transparency is a central principle, aiming to foster public trust by minimizing the risk of manipulation and ensuring fairness in the valuation process.

8. Encouraging the Use of Digital Technology (Section 3(h))

The Act supports the integration of digital technology into the real property tax administration system, streamlining processes, improving data management, and increasing operational efficiency.

Utilization of Schedule of Market Values (SMV) for Taxation (Section 18)

The approved Schedule of Market Values (SMV) serves as the foundation for determining property-related taxes:

- **Revising Assessments (Section 18(a)(1)):** The SMVs guide local assessors in updating property assessments and classifications.
- **Adjusting Tax Rates and Assessment Levels (Section 18(a)(1)):** The SMVs are utilized by the Sanggunian to adjust the assessment levels and tax rates for LGUs.
- **Determining Market Values for Additional Taxes (Section 18(a)(2)):** The SMVs help determine market values for other property-related taxes, such as local transfer taxes and community taxes.
- **Calculating Internal Revenue Tax (Section 18(a)(3)):** The Commissioner of Internal Revenue uses the higher of the SMV or the actual gross selling price from property transaction documents to calculate internal revenue taxes.

Tax Amnesty for Unpaid Real Property Taxes (Section 30)

The Act introduces a tax amnesty for unpaid real property taxes, with the following key provisions:

- **Tax Amnesty Grant:** The amnesty applies to penalties, surcharges, and interest on unpaid taxes, including special levies.

- **Amnesty Period:** Property owners can avail of the amnesty within two years from the Act's enactment.
- **Payment Options:** Delinquent taxpayers can settle their outstanding taxes either in full or through installments within two years from the Act's effective date.
- **Exclusions from Amnesty:** Properties involved in public auctions, those under compromise agreements, or those with pending court cases are excluded from the amnesty.

The Impact of Republic Act No. 12001

RA 12001 represents a comprehensive effort to reform the Philippines' real property valuation and assessment system. By aligning with international standards, enhancing transparency, and strengthening the fiscal autonomy of LGUs, the Act is expected to yield substantial benefits for various stakeholders. This will contribute to a more efficient, equitable, and sustainable real estate sector and promote broader economic growth in the country.

DEVELOPING SECTORS AND INDUSTRIES

- **IT & Digital Finance:** How the rise of fintech, blockchain, and digital banking are shaping the Philippine market.
- **Manufacturing & Agribusiness:** Opportunities for growth in manufacturing, food production, and agritech.
- **Renewable Energy:** Government incentives and private sector involvement in solar, wind, and hydropower industries.
- **Healthcare & Biotech:** The rise of healthcare investments, especially in medical technologies, hospitals, and pharmaceutical services.



Investment Opportunities

The Philippines offers a dynamic investment landscape, particularly in the following high-growth sectors:

Information Technology and Business Process Outsourcing (IT/BPO)

The country remains a top global outsourcing hub, known for its highly skilled, English-speaking workforce and competitive labor costs. The IT/BPO industry continues to expand, with demand for services in customer support, software development, and AI-driven solutions growing rapidly. The government supports the sector through tax incentives and digital infrastructure improvements.

Renewable Energy

The Philippines is aggressively transitioning to clean energy, with a goal of 35% renewable energy by 2030 and 50% by 2040. The government has opened the sector to full foreign ownership, presenting opportunities in solar, wind, hydro, and battery energy storage projects. Major investments, such as the recent \$15 billion deal with UAE's Masdar, highlight the country's commitment to sustainability.

Manufacturing

The manufacturing sector is experiencing a resurgence, particularly in electronics, automotive, and aerospace industries. The government's Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act provides tax breaks and incentives to manufacturers, making the country an appealing destination for industrial expansion. The special economic zones and industrial parks further attract multinational companies looking for cost-effective production bases.

Digital Finance and Fintech

The Philippines has one of the fastest-growing digital finance markets in Southeast Asia. The Bangko Sentral ng Pilipinas (BSP) aims for 50% of transactions to be digital by 2025, driving demand for e-wallets, online banking, blockchain technology, and cryptocurrency services. Fintech startups are thriving, with increasing investment in digital lending, remittances, and financial inclusion solutions.

Fast-Moving Consumer Goods (FMCG)

The FMCG sector plays a crucial role in the Philippine economy, offering steady demand and high returns on investment. FMCG products remain essential, even during economic downturns, often generating over 20% in profits. The rise of e-commerce and digital retail has tripled growth in the food and beverage segment between 2019 and 2021. Sustainability and health-conscious trends further drive innovation in this sector.

Transport and Logistics

The Philippines' transport and logistics industry is rapidly expanding, fueled by growing e-commerce, increasing trade volumes, and strategic infrastructure projects. The government's investments in modern transport networks, ports, and airports are enhancing connectivity. Advancements in robotics and automation are helping to cut costs and improve security, making logistics a prime investment area.

Mergers & Acquisition

M&A Trends: A Surge in Business Consolidation

The Philippine mergers and acquisitions (M&A) market has been experiencing significant activity, driven by post-pandemic economic recovery, digital transformation, and sectoral consolidation.

In 2024, the total M&A deal value in the country reached an impressive \$8.5 billion, marking a 15% increase from the previous year. This growth reflects a robust appetite for consolidation across various industries, indicating a strategic shift among businesses aiming to enhance their competitive edge and operational efficiency.



Implementation of 12% VAT on Digital Services

The **12% VAT** on Digital Services, enacted in October 2024, imposes taxes on foreign tech companies like Amazon, Netflix, Disney, and Alphabet, aiming to level the playing field for local businesses. Expected to generate ₱105 billion (\$1.9 billion) in revenue from 2025 to 2029, 5% of the funds will support the Philippine creative industries.

This tax policy is shaping M&A trends, as global tech firms may acquire or partner with local companies to reduce costs and strengthen their market presence. Additionally, the investment in creative industries is expected to drive acquisitions in media, entertainment, and digital content sectors, boosting consolidation among local and international players.

Industries Leading the Charge in M&A

Mergers and acquisitions (M&A) in the Philippines have been primarily driven by key industries adapting to digital transformation, market expansion, and evolving consumer demands. Below is a summary of the industries leading the charge in M&A, along with their respective deal values:

Industry	Notable Deal	Deal Value
Technology & Telecommunications	Globe Telecom's acquisition of a leading fintech startup.	Not publicly disclosed
Financial Services	KKR's potential sale of its stake in Maya, valuing the company at over \$2 billion.	Over \$2 billion
Real Estate & Infrastructure	GIC and Macquarie's exploration of selling a 30% stake in Energy Development Corp (EDC).	Approximately \$2 billion
Retail & Consumer Goods	Mitsubishi's acquisition of half of Ayala's stake in Mynt, operator of GCash.	At least PHP 18.4 billion (\$318.89 million)

Market Trends and Outlook

The surge in M&A activity highlights the strategic shifts among businesses to stay competitive in a rapidly changing landscape. The technology and telecommunications sector, in particular, has seen a record \$2.5 billion in deal value, reflecting increased investments in fintech, AI, and cloud services.

Meanwhile, the financial services industry continues to consolidate, with banks and insurance firms investing in digital platforms to improve efficiency and customer experience. The real estate sector remains active in M&A, with major developers acquiring smaller firms to expand their presence in urban and smart city projects.

Overall, M&A activity in the Philippines is expected to remain strong in 2025, driven by digital transformation, infrastructure development, and foreign investment liberalization. The Philippine Competition Commission (PCC) continues to play a crucial role in ensuring fair competition while facilitating faster deal approvals, making the country an attractive destination for both local and international investors.



The bar chart illustrates the total M&A deal value in the Philippines from 2022 to 2024, showing a steady increase over the years. In **2022**, the deal value was approximately **\$3.5 billion**, rising to **\$4.2 billion in 2023**, and reaching **\$5.1 billion in 2024**. This upward trend reflects strong M&A activity driven by sectoral consolidation, increased foreign investment, and regulatory reforms that have facilitated deal-making. Key industries leading these transactions include technology, financial services, real estate, and retail.

Notable Recent Cross-Border M&A Deals

The Philippines remains an attractive destination for foreign investors, with major acquisitions in logistics, renewable energy, retail, infrastructure, and telecommunications. These deals reflect the country's growing digital economy, sustainability initiatives, and expanding consumer market.

Acquiring Company	Country	Target Industry	Deal Value	Purpose
SoftBank	Japan	AI-Driven Logistics	\$250M	Expand presence in Southeast Asia's tech sector
U.S. Private Equity Firm	USA	Renewable Energy	\$400M	Support green investments & sustainable energy
Singaporean Conglomerates	Singapore	Retail & Food	\$180M	Strengthen market presence in the region

Despite the strong momentum, cross-border M&A deals in the Philippines still face regulatory complexities, cultural integration challenges, and post-merger alignment issues. However, the country's relaxed foreign ownership rules and incentives for priority industries continue to drive foreign investment interest.

Conclusion

The M&A landscape in the Philippines is thriving, characterized by growing consolidation in the technology, finance, and infrastructure sectors. Regulatory improvements and increased foreign interest are shaping a dynamic market for deal-making. As businesses seek to scale operations and enhance competitiveness, M&A will remain a key strategy in the country's economic growth trajectory.

SETTING UP A BUSINESS IN THE PHILIPPINES

***Foreign Investment Laws:** How the Foreign Investments Act and the FIRB regulate foreign ownership and equity in specific sectors.*

***Licenses & Permits:** Overview of permits required from local government units (LGUs), the SEC, BIR, and other regulatory bodies.*

Comprehensive Guide to Setting Up a Business in the Philippines for Foreign Investors

When setting up a business in the Philippines, foreign investors must navigate key laws and regulations that govern foreign ownership and business operations. The **Foreign Investments Act of 1991 (Republic Act No. 7042)** and the Philippine Constitution play significant roles in determining where and how foreigners can operate a business in the country. These laws limit foreign ownership in certain sectors and outline conditions for foreign entrepreneurs.



Key Restrictions and Incentives for Foreign Investors

1. Foreign Ownership Restrictions

- **Industries with Ownership Limits:** Certain sectors have strict requirements for Filipino ownership. For example, retail trade generally requires 60% Filipino ownership unless the business capital exceeds USD 2.5 million. Other sectors, like mass media, are fully restricted to Filipino nationals.

2. Incentives for Foreign Investors

- **Tax Holidays and Exemptions:** To attract foreign investments, the government offers various incentives, such as tax holidays and duty exemptions, through agencies like the Board of Investments (BOI) and the Philippine Economic Zone Authority (PEZA). Understanding which industries qualify for these incentives is crucial for foreign investors.

Choosing the Right Business Structure

Selecting the appropriate business structure is a vital step, as it affects ownership, taxation, and compliance. Here are the main options for foreign nationals:

1. Sole Proprietorship

- **Ownership:** 100% owned by one individual.
- **Eligibility:** Generally unavailable to foreigners unless they are married to a Filipino citizen, in which case the business is registered under the Filipino spouse's name.
- **Registration:** Registered with the Department of Trade and Industry (DTI).

2. Partnership

- **General Partnership:** All partners share unlimited liability. At least 60% of the partnership must be Filipino-owned for it to qualify as domestic.
- **Limited Partnership:** Involves both general partners (with unlimited liability) and limited partners (whose liability is limited to their investment). Foreign ownership is restricted depending on the industry.
- **Registration:** Registered with the Securities and Exchange Commission (SEC).

3. Corporation

- **Domestic Corporation:** Requires at least five incorporators, each holding at least one share. Foreign ownership is generally capped at 40%, though there are exceptions for 100% foreign ownership in certain sectors.
- **One Person Corporation (OPC):** Suitable for foreign nationals in sectors where 100% foreign ownership is allowed. It allows one person to own and operate a corporation.
- **Registration:** Registered with the SEC. The minimum paid-up capital is typically USD 200,000, but this can be reduced under specific conditions, like employing at least 50 Filipinos or introducing advanced technology.

4. Branch Office

- **Ownership:** 100% owned by the foreign parent company.
- **Scope:** Can conduct the same business activities as the parent company.
- **Registration:** SEC registration required. A minimum inward remittance of USD 200,000 is required.

5. Representative Office

- **Ownership:** 100% owned by the foreign parent company.
- **Scope:** Cannot generate income but can conduct non-revenue-generating activities such as market research or acting as a liaison.
- **Registration:** SEC registration required with a minimum inward remittance of USD 30,000.

Government Registration Process

After choosing the business structure, you must complete several registration steps with relevant government agencies:

1. Business Name Registration

- **Sole Proprietorship:** Register the business name with DTI, ensuring it is unique and not already in use.
- **Partnerships and Corporations:** Reserve the business name with SEC, making sure it complies with SEC guidelines and doesn't infringe existing trademarks.

2. SEC Registration

- **Articles of Incorporation:** Draft the Articles of Incorporation for corporations and partnerships, outlining the business's purpose and share distribution.
- **Bylaws:** Corporations must submit bylaws detailing internal management.
- **Inward Remittance Certificate:** For foreign-owned corporations or branches, a certificate confirming the inward remittance of capital is needed.
- **Treasurer's Affidavit:** Confirms the sufficiency of the subscribed and paid capital.

3. Barangay Clearance and Mayor's Permit

- After SEC registration, secure a Barangay Clearance from the local Barangay and apply for a Mayor's Permit from the city or municipal office. These permits are essential for legal operation and compliance with local zoning, fire safety, and sanitation laws.

4. Tax Identification and BIR Registration

- **BIR Registration:** Obtain a Tax Identification Number (TIN) from the Bureau of Internal Revenue (BIR), and register books of accounts.
- **Official Receipts:** Businesses must print official receipts and invoices through BIR-accredited printers for tax compliance.

5. Registration with Other Government Agencies

- **Social Security System (SSS):** Employers must register to provide social security coverage to employees.
- **PhilHealth:** Employers must register with PhilHealth to provide health insurance for employees.
- **Pag-IBIG Fund:** Registration with Pag-IBIG Fund is required to offer housing loans and savings benefits to employees.

Additional Steps for Setting Up the Business

Opening a Corporate Bank Account

- A corporate bank account is necessary for foreign nationals to deposit the required paid-up capital and manage financial transactions. The following documents are typically needed:
 - Articles of Incorporation and Bylaws
 - SEC Certificate of Registration
 - Board Resolution authorizing the account opening
 - Inward Remittance Certificate (if applicable)
 - Valid IDs of authorized signatories

Securing Office Space and Business Address

- **Zoning Requirements:** Ensure the chosen location complies with local zoning laws.
- **Lease Agreement:** Required for the Mayor's Permit and Barangay Clearance. It should be in the business's name with specified terms and duration.
- **Virtual Office:** A virtual office can be used as the registered address, but it may limit the business's ability to secure certain permits and licenses.

By following these steps and understanding the legal landscape, foreign investors can successfully navigate the process of setting up a business in the Philippines.

ACCOUNTING AND REPORTING

Businesses operating in the Philippines must comply with the tax regulations set forth by the Bureau of Internal Revenue (BIR). Proper tax filing and reporting are crucial for avoiding penalties and ensuring smooth business operations.



TAX RETURN	DESCRIPTION	DEADLINE
Monthly & Quarterly VAT Returns (BIR Form 2550-M & 2550-Q)	Applicable to VAT-registered businesses (Registration is mandatory for businesses with an annual gross revenue exceeding PHP 3 million, while those with revenue below this threshold may register voluntarily.)	Monthly (optional): 20th of the following month Quarterly (required): 25th of the month after the quarter
Income Tax Returns (BIR Form 1701, 1702, 1703)	Annual income tax returns for individuals, corporations, and partnerships	April 15 of the following year
Withholding Tax Returns (BIR Form 1601-E, 1601-C, 1604-C)	For businesses withholding taxes from employee salaries or supplier payments	Monthly: 10th of the following month, Annual: January 31.
Percentage Tax (BIR Form 2551Q)	Applicable for non-VAT taxpayers	Quarterly: 25th of the month after the quarter

Financial Reporting Requirements: Compliance with the SEC

The Securities and Exchange Commission (SEC) prescribes financial reporting frameworks under Revised Securities Regulation Code (SRC) Rule 68 for preparing financial statements. The following financial reporting frameworks apply based on the latest 2025 criteria under Revised SRC Rule 68:

FRAMEWORK	CRITERIA (2025 UPDATE)
PFRS – Large and/or Public Interest Entities	<ul style="list-style-type: none">- Total assets >₱500 million or total liabilities >₱350 million- Holders of secondary licenses (e.g., banks, insurance companies, publicly listed firms)- Required to file financial statements under Part I of SRC Rule 68- Filing financial statements for the purpose of issuing any class of instruments in a public market- Other corporations that SEC may consider public interest entities based on regulatory assessment
PFRS for SMEs – Medium-Sized Entities	<ul style="list-style-type: none">- Total assets: ₱100 million to ₱500 million or total liabilities: ₱100 million to ₱350 million- Required to file financial statements under Part II of SRC Rule 68- Filing financial statements for the purpose of issuing any class of instruments in a public market- Not holders of secondary licenses <p>Note: Medium-sized entities may voluntarily apply Full PFRS if they are subsidiaries of a parent company using Full PFRS.</p>

Key SEC Filing Requirements (2025 Update)

- AFS must be stamped and received by the BIR before SEC submission.
- All AFS submissions must be done online via SEC's eFAST platform (per SEC Memorandum Circular 3-2025).
- Deadlines:
 - **AFS** – Within 120 calendar days from the fiscal year-end.
 - **GIS** – Within 30 days from the stockholders' meeting.

Failure to comply may result in penalties, fines, suspension, or revocation of SEC registration.

The Securities and Exchange Commission (SEC) mandates financial reporting compliance for corporations, partnerships, and other registered entities in the Philippines. These reports ensure transparency, accountability, and adherence to the Philippine Financial Reporting Standards (PFRS).

Required Financial Reports

REPORT	REPORT REQUIREMENT	REQUIREMENT DEADLINE
PFRS – Large and/or Public Interest Entities	Required for corporations and partnerships with annual sales over PHP 3 million. Must be prepared by a Certified Public Accountant (CPA).	April 15 for individuals, 120 days after fiscal year-end for corporations.
General Information Sheet (GIS)	General Information Sheet (GIS) Contains the latest company structure and ownership details.	30 days after the annual stockholders' meeting.

SEC Form 17-A (Annual Report)	Required for publicly listed companies.	For companies with a fiscal year ending on December 31: April 15 of the following year. - For companies with a different fiscal year-end: Within 105 calendar days after the end of the fiscal year.
SEC Form 17-Q (Quarterly Report)	Filed by publicly listed companies to provide financial updates.	45 days after the end of the quarter.

Failure to comply with SEC reporting requirements may result in penalties, suspension of corporate registration, or legal action.

Tax Audits & Penalties: Ensuring Compliance

Businesses in the Philippines are subject to tax audits conducted by the BIR to ensure compliance with tax laws. These audits are performed through different methods, including:

- **Letter of Authority (LOA) Audits** – A formal audit initiated by the BIR through a Letter of Authority (LOA), which grants revenue officers the authority to examine a taxpayer's books of accounts and financial records. These audits are typically comprehensive and may be triggered by discrepancies in tax filings or risk-based selection.
- **Surprise or Special Audits** – Unannounced inspections conducted on businesses suspected of tax evasion, underreporting of income, or non-compliance with tax obligations. These audits may be initiated without an LOA under certain circumstances, such as Tax Compliance Verification Drives (TCVDs) or Oplan Kandado operations.

Common Tax Penalties

VIOLATION	PENALTY
Late filing of tax returns	25% surcharge on tax due + 12% annual interest.
Non-filing of required tax documents	PHP 1,000 to PHP 25,000 per offense.
Tax evasion	Up to PHP 10 million in fines and imprisonment of up to 10 years.
Failure to issue official receipts	PHP 10,000 to PHP 25,000 penalty.

To avoid these penalties, businesses are encouraged to maintain proper record-keeping, submit reports on time, and seek professional accounting assistance.

DIGITALIZATION & ELECTRONIC FILING

- **BIR-** With the rise of digitalization, the BIR have introduced e-filing and e-payment systems to streamline tax compliance. Businesses can now file and pay taxes online through the following accredited platforms:
 - [BIR eFPS \(Electronic Filing and Payment System\)](#)
 - G-Cash & PayMaya
 - Online banking portals of major Philippine banks
 - Land Bank's Link.Biz Portal

These digital solutions aim to reduce processing time, minimize errors, and improve tax collection efficiency.

- **SEC-** The Securities and Exchange Commission (SEC) requires corporations to file their Audited Financial Statements (AFS) and General Information Sheet (GIS) through the Electronic Filing and Submission Tool (eFAST). Hard copy submissions are no longer accepted.

Key Filing Requirements:

- **AFS:** Required for corporations with assets or liabilities of ₱600,000+ or foreign offices with ₱1 million+ capital or revenue.
- **GIS:** Must be submitted within 30 days after a corporation's annual stockholders' or members' meeting.

Deadlines:

- **AFS:** 120 days after the fiscal year-end (if not December 31) or based on SEC's prescribed schedule.
- **GIS:** Within 30 days from the stockholders' meeting.
-

eFAST Filing Process:

1. Enroll on [SEC eFAST](#) and verify your account.
2. Log in and complete your Company Profile.
3. Upload and submit AFS and GIS through eFAST.

Penalties for Late or Non-Submission:

- Fines, suspension, or revocation of SEC registration for non-compliance.

To ensure smooth business operations, corporations must submit their reports on time via eFAST to avoid penalties.

Compliance with accounting and tax reporting regulations in the Philippines is a fundamental aspect of doing business. Companies must stay updated with BIR and SEC requirements, adhere to deadlines, and implement proper financial reporting practices to avoid audits and penalties. As digital tax filing gains traction, businesses can leverage online platforms to ensure seamless and efficient compliance.

Conclusion

The Philippines in 2025 presents a dynamic business environment driven by economic resilience, regulatory reforms, and emerging industries. Its strategic location, skilled workforce, and pro-investment policies continue to attract both local and foreign enterprises.

Key considerations for businesses include understanding taxation, labor laws, currency risks, and trade regulations. Major infrastructure projects and policy shifts are fueling opportunities in high-growth sectors such as IT-BPO, renewable energy, fintech, and manufacturing. The rise in mergers and acquisitions reflects industry consolidation and strategic expansion, while relaxed foreign ownership rules and digital transformation enhance business efficiency.

Looking ahead, businesses should stay agile and informed as economic growth, technological advancements, and regulatory developments shape the market. By leveraging opportunities and ensuring compliance, companies can successfully navigate and thrive in the evolving Philippine business landscape.



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