

Data Source: **Cebu Economic Fact Book 2005, Cebu Investment
Promotion Center**



For more information, call, write or visit:

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**REQUENTLY ASKED QUESTIONS
BY INVESTORS**

1. I am a foreigner and I would like to invest in the Philippines, what is the first thing I should do?

Foreign investments are mostly liberalized and are governed by the Foreign Investments Act of 1991 (R.A. 7042). Please make sure that the business you will engage in is allowable under Philippine law.

For Single Proprietorships:

If you wish to register as a single proprietorship, you will have to submit the completed DTI Form No. 17 (Application to Do Business in the Philippines), and DTI Form No. 16 (Application for business Name Registration), together with the following requirements to the Department of Trade and Industry (DTI):

- Alien certificate of Registration, if any.
- A written appointment of Filipino Resident Agent
- Authority to verify bank account/bank certificate of deposit
- Proof of inward remittance of foreign currency for non-resident alien, or Bank Certificate of Deposit for resident alien.
- Copy of valuation report from the Bangko Sentral ng Pilipinas if investment includes assets other than foreign exchange
- Clearance from Department of Science and Technology, Philippine National Police, etc., if applicable;
- Two (2) recently taken 2" x 2" size pictures;

The registration process is as follows:

1. DTI Officer interviews the applicant
2. If applicant is qualified, DTI issues Forms 16 and 17, and collects application fee of PhP 800.00 (roughly US\$16.00).
3. Applicant accomplishes and submits Forms 16 and 17 and the requirements listed above.
4. DTI Officer checks Form 17 and verifies preferred business name;

Category	Remarks	Peso	US\$	
PUBLIC UTILITIES				
Electricity (per KsHr)	For Business	5.6024	0.10	
	For Household	5.8380	0.104	
Water (per Cu.M.)	Min. Service charge (MSC) dependent on Meter size:	½ inch=108.51 ¾ inch=175.97 1 inch=344.60 1.5 inch=879.83 2 inches=2184.92 3 inches=3929.92 4 inches=7859.84 6 inches=11782.42	1.94 3.14 6.15 15.71 39.02 40.17 140.35 21040	
	Commodity Charge dependent on consumption bracket	10 cu.m. below=MSC 11-20 cu.m.=11.97/cu.m. 21-30 cu.m.=14.07/cu.m. over 30 cu.m. = 38.61/cu.m.	MSC 0.21 / cu.m. 0.25 / cu.m. 0.69 / cu.m.	
	Transport – Freight 20 ft./40 ft. container	Cebu to Yokohama Port (10-12 days)	20 ft=22950-40800 40 ft=38250-68850	409.82-728.57 683.04-1229.46
		Cebu to Tokyo Port (9-13 days)	20 ft=22950-40800 40 ft=38250-68850	409.82-728.57 683.04-122-.46
		Cebu to Osaka Port (7-12 days)	20 ft=25500-43350 40 ft=38250-73950	455.36-774.11 683.04-1320.54
		Cebu to USA-West Coast (17-22 days)	20 ft=153000-183600 40 ft=204000-255500	2732.14-3278.57 3642.86-4562.5
		Cebu to USA-East Coast (35-40 days)	20 ft=204000-255000 40 ft=255000-331500	3642.86-4553.57 4553.57-5919.64

Category	Remarks	Peso	US\$
TELECOMMUNICATIONS			
Telephone	Installation		
	- Residential	995-1320	17.77-23.57
	- Commercial Basic	995-1656.60	17.77-29.58
	Monthly		
Internet Connection	- Residential	560-760.07	10-13.57
	- Commercial	878.08-1097.60*	15.85-22.37
		*(optional features e.g. call waiting, caller ID)	
	Int'l. Call (per minute)	22.4	0.40
-Dial-up (Basic 56K connection)	Initial Connection	550	9.82
	Basic Monthly	350-440 (This may be waived)	6.25-7.86
-DSL (Asymmetric Down/Up)	Personal Residential / -512/256 up to 384 kbps	995-2500	17.77-44.64
	Professional Business / - 168 / 384 kbps (PLDT rates only)	3000.00	53.57
Int'ernational Private Leased Circuit	Cebu to Los Angeles-West Coast (estimates only, One Wilshire Node, Innove)	168000-196000 (+84000 installation)	3000-3500 (+1500 installation)
	Cebu to Baltimore -East Coast (estimates only)	252000-268000 (+84000 installation)	4500-4800 (+1500 installation)
Cellular Phone	Initial Connection	One Month advance MSF* + Handset Cost**+ Registration (currently waived for all plans) *MSF (Monthly Service Fee) **Handset Cost (GSM)	One Month Advance MSF* + Handset Cost**+ (currently waived for all Plans)
	Handset Cost (GSM)	3000-30000	53.57-714.28
	Basic Monthly (Monthly Service Fee)	333-4000	5.95-178.57

5. DTI issues the Authority to Do Business in the Philippines and the Business Name Certificate and collects registration fee of PhP5,000.00 (US\$100.00).

Contact Address:

Department of Trade and Industry (DTI)
3/F, LDM Bldg., M.J. Cuenco Ave. cor. Legaspi St.,
6000 Cebu City
Tel. No.: (6332) 255-7082 to 86
Fax No.: (6332) 255-7609
E-mail: dticebu@cebu.weblinq.com
URL: www.dticebu.net.ph

For Corporations and Partnerships:

An application form shall be submitted to the SEC, together with the following documents:

1. In the case of new domestic corporation or partnership:

- Articles of Incorporation/Partnership
- Name Verification Slip
- Bank Certificate of Deposit
- ACR/ICR, SIRV (Special Investors Resident Visa), Visa # 13 of the alien subscribers
- Proof of Inward Remittance (for non-resident aliens)
- Registration Data Sheet
- Treasurer's Affidavit

2. In the case of a foreign corporation:

- Name Verification Slip
- Certified Copy of board Resolution authorizing the establishment of an office in the Philippines; and designating a resident agent;
- Financial statements for the immediately preceding year at the time of filing of the application, certified by an independent

A Sampling on Cost of Doing Business in Cebu

6. If documents are complete, DTI processes the application within 15 days.
 - Certified Public Accountant of the home country; Certified copies of the articles of Incorporation/Partnership with an English translation thereof if in a foreign language;
 - Proof of Inward Remittance
 - Foreign Company Information Sheet
3. If applicable, clearance from other involved agencies, e.g. DOST, DND/PNP, etc.

SEC registration process:

1. Investor presents application to SEC
2. SEC preprocesses the application
3. If approved, the investor pays filing fee (equivalent to 1/10 of 1% of paid-up capital), and submits documents
4. SEC processes and evaluates document, Processing time is one (1) week, if using the “Express Lane”.
5. If approved, SEC issues certificate of registration.

Contact Address:

Securities and Exchange Commission (SEC)
 SEC Building, V. Rama Avenue
 6000 Cebu City
 Tel. No.: (6332) 253-5337; 255-8740

After registration with either the DTLI or SEC, you may proceed to the Municipal or City Hall where your business will be located, to obtain the required Mayor’s Permit.

Note: Your initial paid-in capital under the amended Foreign Investments Act (R.A. 8179) must not be less than Two Hundred Thousand US dollars (US\$200,000); if your business would involve advance technology as determined by the Department of Science and Technology (DOST) or it would employ at least fifty (50) direct employees, a minimum paid-in capital of One Hundred Thousand dollars (US\$100,000) is allowed.

2. What are my rights and privileges as a foreign investor?

As a foreign investor, the following are your rights and privileges:

Category	Remarks	Peso	US\$
SALARIES & WAGES		US\$ 1.00=PhP 56.00	
- General Skills	General Worker (per month)	5352-7000	95.57-133.93
	Mid-level engineers (per month)	10000-30000	178.57-535.71
	Minimum Wage per day (8-hr workday)	223.00	3.98
	Manager (small office)	15000-25000	267.86-446.43
	Secretary/Clerk	8000-12000	142.86-214.29
	Messenger//Driver	6000-8000	107.14-142.86
	Security Guard	6690-8000	119.46-142.86
I.T. Related Skills (per month)	Software engineer Fresh	12000-18000	214.28-321.43
	3 yrs. Experience	20000-30000	357.14-535.71
	Network Specialist	24000-30000	428.57-535.71
	Computer Technician	10000-12000	178.58-214.28
	CAD Designer	10000-15000	178.57-267.86

Category	Remarks	Peso	US\$
REAL ESTATE			
- Land and Office Rent (per sq.m./month)	Industrial Park	22.40-28.00	0.40-0.50
	Office Rental	200-400	3.57-7.14
House Rental (rental/month)	Condominium	25000-60000	446.43-1071.43
	Executive House	35000-80000	625-1428.57
Construction (average per sq.m.)	Factory	9000-20000	160.71-357.14
	Office	13000-22000	232.14-392.86

EO 226 Book 111 Art. 59		Foreign personnel of regional or area headquarters of multinational companies, their spouses and unmarried children under 21 years of age.
PD 1034, Section 7		Foreign personnel of offshore banking units of banks duly licensed by the Bangko Sentral ng Pilipinas to operate as such, their spouses and unmarried children under 21 years of age.
SIRV under EO 226	Special Investor's Resident Visa (SIRV EO 266)	Any alien, except nationals of countries that are classified as restricted and who are willing and able to invest at least US\$75,000.
SIRV under EO 63	Special Investor's Resident Visa (SIRV EO63)	Any alien, except nationals of countries that we classified as restricted and who are willing and able to invest at least US\$50,000 in tourist-oriented projects.
SRRV	Special Retiree's Resident Visa (SRRV)	Any alien, except nationals of countries that are classified as restricted and who are willing and able to invest at least US \$50,000 OR us\$75,000 depending on the age of the applicant.

14. How can I convert my 9(a) visa to an immigrant visa or to any of the above-mentioned alternative visas?

Normally visas have to be converted into 9(a) before the same can be converted to immigrant or other alternative visas, unless the present one is still valid.

The address of the Bureau of Immigration and Deportation Office in Cebu is found on in Manila with extraction office located at the Ground Floor of the BOI Building in Makati where all types of visas are processed and other services such as visa extensions, cancellations and the like are provided.

- Right to repatriate the entire proceeds of the liquidation of the investments in the currency in which the investment was originally made at the exchange rate at the time of repatriation.

- Right to remit earnings from the investments in the currency in which the investment was originally made at the exchange rate at the time of remittance.
- Rights to payments of interests and principal on foreign loans and contracts.
- Properties represented by the investments or of the enterprises shall be exempted from expropriation by the government except for public use or in the interest of national welfare and defense.
- The government except for public use or in the interest of national welfare and defense shall not demand properties represented by the investments or of the enterprises.

3. Can I, a foreigner, own land in the Philippines? What options do I have?

No. As mandated by the Constitution, only Philippine nationals or 60% Filipino-40% foreign-owned companies may acquire land in the country. Foreigners, however, can lease land for a period of 50 years with the option of extension for another 25 years.

Also, foreigners may own buildings.

4. What advantages do I get in locating in an industrial estate?

Locating Inside an Economic Zone

Cebu has a number of Economic Zones where industrial and utility infrastructures are in place, and where attractive incentives are provided to locators. There are several advantages in locating in the Economic Zones.

- Income tax holiday of 4 – 8 years
- Tax and duty free importation of Capital equipment, Spare Parts, Materials and Supplies, Breeding Stocks and Genetic Materials

- Exemption from taxes, and in lieu thereof, special 5% tax rate on Gross Income.
- Tax credit for import substitution and domestic capital equipment
- Exemption from wharfage dues, export tax impost fees
- Additional Deduction for Training Expenses (Labor and Management)
- Permanent Resident Status for Foreign Investors and Immediate Members of the Family
- Employment of Foreign Nationals
- Simplified import and Export Procedures

If you wish to avail of these incentives, you have to locate in an economic zone and apply for registration with the Philippines Economic Zone Authority (PEZA). A prescribed application form will have to be submitted in three (3) copies to the PEZA, together with the following documents:

- Project feasibility study
- Copies of Articles of Incorporation and By-Laws
- Resolution of the applicant's board of directors authorizing the filing of the application; list of its directors, principal officers, and major stockholders, including their bio-data
- List of machinery and equipment to be used with a statement of their capacity, ownership and/or mode of procurement
- Company brochures and/or photographs of product(s)
- Other supporting documents/papers, clearances as may be required by the PEZA depending upon the nature of the business and the type of business organization of the applicant

The registration process is as follows:

1. The application shall be filed with the PEZA upon payment of the corresponding filing fee PhP3,000.00 (US\$60.00) for new non-pioneer projects; PhP5,000.00 (US\$100.00) for new pioneer projects);
2. Approval of the application shall be by resolution of the PEZA Board
3. A Certificate of Registration will be issued upon the execution of the Registration Agreement by the PEZA and applicant, subject to the following:

TYPE	DESCRIPTION	DEFINITION
9(a)	Tourist/Visitor Visa	An alien coming to the Philippines for business or for pleasure or for reasons of health.
9(c)	Seaman's Visa	A seaman serving as such vessel arriving at a port of the Philippines and seeking to enter temporarily and solely in the pursuit of his calling as a seaman.
9(d)	Treaty Trader or Treaty Investor Visa	An international trader/investor with his wife and unmarried children below 21 years of age engaged solely in carrying on trade between the Philippines and foreign states (Japan, USA, Germany) of which they are national or solely to develop and direct the operations of an enterprise in which he has substantially invested or in process of investing.
		An alien employed in supervisory or executive character by a treaty investor/trader.
9(g)	Pre-arranged Employment Visa	An alien coming for pre-arranged employment with his wife and unmarried children below 21 years of age.
13	Pre-arranged Employment Visa	An alien who seeks entry into the Philippines for permanent residence and who does not qualify under any of the category of non-quota immigrant provided under section 13 a to g; not exceeding 50 years of age of any one nationality for nay one calendar year; with substantial investment in the Philippines.
13(a)	Non-quota Immigrant	The wife or husband or the married children under 21 years of age of a Philippine citizen if accompanying or following to join such citizen.
47(a)2	Special Non-Immigrant Visa	A foreign national under employment contract with BOI/PEZA registered firms, his spouse and unmarried children under 21 years of age.

The following fees are collected:

- Permit Fee-.002% of capital declared if new or based on gross sales if operating
- Business Tax-.0005% of declared capital
- Zoning Fee- per schedule
- Office of Building Officer (OBO) Fee- per schedule
- Garbage Fee- per schedule
- Cebu Fire Department Fee- 10% of all fees paid excluding the business tax

The processing time is one (1) week.

11. What is done at the Bureau of Internal Revenue (BIR)?

After securing the Mayor's Permit, the following are processed at the BIR:

- Business Registration/Application for Value Added Tax (VAT) Number. Filing Fee is Php1,000.00 and Processing Time is three (3) days. (One time application)
- Registration of Books of Accounts. No filing fee; one day processing time
- Application for Taxpayers Identification No. (TIN) No filing fee and processing time is one (1) week. (One time application)
- Authority to Print Official Receipts. The printer applies directly with the BIR in behalf of the customer. No filing fee and processing time is one (1) day.

12. What are the requirements of the Department of Labor and Employment (DOLE).

Any foreigner who will work in the Philippines is required to secure an Alien Employment Permit (AEP) from the DOLE in the specific Region.

- a. Compliance by the applicant of all the pre-registration requirements
- b. Submission within twenty (20) calendar days from receipt of the notice of approval of the application, a formal acceptance of the proposed terms and conditions of registration
- c. Payment of registration fee (Php5,000.00 US\$100.00).

Processing Time: Thirty (30) working days

Contact Address:

Mactan Economic Zone, Lapu-lapu City, Cebu
Tel. No.: (6332) 340-0593 / 5
Fax No.: (6332) 340-0591

5. How can I get BOI incentives?

Applying for Board of Investments (BOI) Incentives

New and expanding Projects can avail of incentives from the BOI. These incentives include the following:

- Income tax holiday for 4 – 6 years
- Minimum duty (3% + 10% VAT) on imported capital equipment/spare parts
- Duty free importation of raw materials through bonded warehousing system
- Tax credit scheme
- Exemption from wharfage fees
- Other non-fiscal incentives

To avail of these incentives, your project should be listed in the investment Priorities Plan (IPP) for the year. (A copy of the IPP can be secured from the CIPC or BOI upon request).

The application must be filed with the Board of Investments on the prescribed BOI Form 501 in three (3) copies, together with the following documents:

- Copy of SEC Registration and articles of Incorporation and By-Laws

- Copy of company Audited Financial Statements and Income Tax Returns for the past three (3) years
- Copy of company's Board Resolution authorizing officer to sign in behalf of applicant enterprise
- Project Report

The application process is as follows:

14. Official filing of duly accomplished BOI Form 501, complete with supporting documents and payment of filing fee (Range of PhP1,000 – 4,000 (US\$20 – 80) depending on project cost);
15. Evaluation of application, including Publication of Notice of Filing of Application, preparation of report to BOI Management Committee and confirmation by the BOI Executive Board
16. If approved by the Board, applicant complies with the pre-registration requirements
17. Issuance of Certificate of Registration upon payment by applicant of registration fee (1/10 of 1% of project cost but not less than PhP2,000 or more than PhP10,000 (US\$40 – 200))

Processing Time: Twenty (20) working days
 Incentive Fee: PhP1,000 (US\$20) per application

Contact Address:

Board of Investments (BOI)
 3/F Trans-Asia Building, Osmeña Blvd., Cor M.J. Cuenco Ave.,
 6000 Cebu City
 Tel No.: (6332) 412-1944
 Fax No.: (6332) 412-1945

6. Other than the wage/salary, what other costs or benefits do I have to give my employee?

Based on the 1997 Labor Code of the Philippines, the other benefits that have to be given to employees are the following:

- SSS Premium Contribution
- Service Incentive Leave (vacation & sick leave)

- Medicare – Philhealth Insurance
- Maternity Leave
- Paternity Leave
- 13th Month Pay
- Pag-ibig Contribution

7. How will I import capital equipment? Are there restrictions in importation?

A company qualified for tax exemptions on the importation of its equipment must secure prior approval from its governing agency before actual importation can be made.

Regular importation is made through Authorized Agent Banks (AAB).

8. How will I import raw materials/supplies? Are there restrictions in importation?

The importation of raw materials has already been liberalized. Therefore the importer simply has to proceed to an AAB to open the necessary letter of credit or other modes through which payment will be made. There are, however, regulated items that require clearance from the concerned agency prior to importation, and items whose importation is prohibited.

9. Application for Barangay Clearance/Permit?

Barangay Permit is given by the Barangay where your business will be located. The fee is PhP50.00 and the processing time is, at most, two (2) days.

10. How does one go about applying for a Mayor's Permit/Municipal License to operate?

To get this permit/license to operate, present the following documents at the Licensing Section of the Mayor's Office where your business is located:

- Lease Contract of Building
- Barangay Clearance/Permit
- Application Form with the Sketch of Location of building at the back