



Triple i Consulting

# A GUIDE TO DOING BUSINESS IN THE PHILIPPINES

## COUNTRY PROFILE

### POPULATION

According to the World Bank, as of 2012, the Philippine population stands at 96.71 million growing by 1.96% from the previous year, the fastest in South East Asia.

### GEOGRAPHY

The Philippines is composed of over 7,100 islands which are grouped into three major regions: Luzon, Visayas and Mindanao. To the east, the country is bordered by the Pacific Ocean, giving the impression of being the gateway of the west to its neighboring Asian countries. The countries bordering the north are Japan, South Korea, Taiwan and Hong Kong, to the south, Singapore, Malaysia and Indonesia and to the west by Thailand. Its location has made the Philippines a central venue for trading between the West and the East, creating a culture that has both eastern and western influences.

### LANGUAGE

The official language of the Philippines is Filipino. The Filipino language is largely based on the Tagalog dialect. 168 dialects are spoken throughout the country.

The Philippines is also known as one of the better countries in Asia concerning proficiency in the English language. A recent study by Global English Corporation revealed the Philippines to be the country that is the best in Business English, even scoring higher than the United States.

### CLIMATE

Situated right above the equator, the Philippines enjoys a tropical climate and, unlike majority of other countries, only experiences two seasons: The Dry Season (November to May) and the Wet Season (June-October).

### EDUCATION SYSTEM

The government has recently implemented a K+12 basic education program which would result in adding two more years of senior high school on top of the four years of high school. The added years will be used for teaching specializations, equipping them with the skills necessary for landing better jobs.

There is also a rising trend of people going for graduate studies. According to the Department of Tourism, the Philippines has one of the highest numbers of MBA graduates in the world.

### POLITICAL SYSTEM

The Philippines is a Democratic Republican State with the President as the Head of State. The government is then divided into three equal branches: The Bicameral Legislative branch

composed of the House of Representatives and the senate, Executive headed by the president and Judicial Branch headed by the Supreme Court.

### LABOR

#### Labor Force

According to the Census, as of January 2013, 64.1% of the population is of working age (15-64 years old)

#### Business Hours

Most government and private offices operate from 8 am – 5 pm, Mondays through Fridays. Commercial Banks are open from 9 am to 3 pm and Savings Banks 9 am to 5 pm, also from Mondays through Fridays. Some private offices and government offices engaged in urgent activities also have Saturday operations.

#### Holidays

The government releases a list of recognized nationwide non-working holidays at the beginning of every year. Statutory holidays are:

<b>January 1</b>	New Year's Day
<b>April 9</b>	Araw ng Kagitingan
<b>May 1</b>	Labor Day
<b>June 12</b>	Independence Day
<b>Last Sunday of August</b>	National Heroes' Day
<b>November 1</b>	All Saints' Day
<b>Variable (Normally held in Nov)</b>	Eidul-Fitr
<b>November 30</b>	Andres Bonifacio Day
<b>December 25</b>	Christmas Day
<b>December 30</b>	Rizal Day
<b>December 31</b>	Last Day of the Year

Maundy Thursday and Good Friday, Black Saturday are also regular holidays. Also included in the list of nationwide special non-working days are the following:

<b>February 25</b>	Anniversary of EDSA People Power Revolution
<b>August 21</b>	Martyrdom of Benigno Aquino

### RELIGION

The Philippines remains the only predominantly Christian country in Asia. Around 83% of the population is Catholic. 5% are Muslim, majority of whom reside in Mindanao.

### FOREIGN RESIDENCY (EXPATS)

In the HSBC Expat Explorer Survey conducted in December 2011, the Philippines ranked 11<sup>th</sup> friendliest. The country was ranked the second best place for making friends and

maintaining a work/life balance. According to GMA News Network, the low cost of living and easy access to luxuries also make the Philippines an ideal country to live in.

## ECONOMIC STATUS

### Gross Domestic Product

During first quarter of 2013 the economy posted a 7.7% growth in GDP, the highest in Asia alongside China and a favorable increase from the previous year's 6.4%

### Inflation Rate

The country has been experiencing the lowest inflation rate in recent years, ranging from 3.0-2.5% between January and June 2013.

## BUSINESS ENTERPRISES

### ORGANIZED UNDER THE PHILIPPINE LAW

Stated below are the different types of business enterprises allowed to operate in the Philippines.

#### Sole Proprietorship

A sole proprietorship is an enterprise where the owner is personally liable as he has sole and full authority over the business.

#### Partnership

A partnership must have 2 or more partners. Since the authority is shared among multiple individuals, the business is treated as a legal entity separate from its owners.

#### Corporation

A corporation is a business entity that must be incorporated by 5 to 15 individuals who must each own at least one share. Same with partnerships, the business is treated as a legal entity separate from its incorporators.

Corporations may register as either a **Stock** or **Non-Stock** Corporation.

#### STOCK CORPORATION

Stock Corporations have capital stock which is divided into shares and are allowed to distribute dividends to its shareholders.

#### NON-STOCK CORPORATION

A Non-Stock Corporation is a corporation that members, officers and trustees are not allowed to profit from except in cases of dissolution. Whatever profits a Non-Stock Corporation generates should be used to carry out the purposes for which the corporation is created.

## UNDER FOREIGN LAW

### Branch Office

A Branch Office is a foreign business entity that acts and generates income in behalf of its parent company.

### Representative Office

A Representative Office is also a foreign business entity that acts on behalf of the parent company but are not allowed to perform income-generating activities.

### Regional Headquarters

Regional Headquarters (RHQ) perform non-income generating back-office operations for their parent company and its subsidiaries and affiliates. Regional presence is required of RHQs.

### ROHQ

ROHQs have the same requirements for RHQs but perform income-generating back-office operations for the parent company and its subsidiaries and affiliates.

## FOREIGN INVESTMENTS ACT

### FOREIGN INVESTMENTS ACT OF 1991

This is the basic law that governs foreign investments in the Philippines.

### FOREIGN INVESTMENT NEGATIVE LIST

This list states the investment areas or activities which foreign investors can and cannot take part in.

*(see appendix for FINL)*

## REGULATORY BODIES

### DEPARTMENT OF TRADE AND INDUSTRY

The DTI is the government body primarily responsible for expanding Philippine trade, industries and investments to be able to generate employees and raise income for the Filipinos.

Sole-proprietor companies register with the DTI.

### SECURITIES AND EXCHANGE COMMISSION

The SEC is tasked with the registration, licensing, regulation and supervision of all corporations in the Philippines, both Filipino and Foreign-owned, including foreign corporations intending to do business in the country.

Partnerships and Corporations register with the SEC.

## BUREAU OF INTERNAL REVENUE

The BIR is the government body responsible for collection of taxes and upholding the taxation laws of the country.

All corporations are required registration with the BIR for tax compliance.

## BOARD OF INVESTMENTS

The BOI is a subsidiary of the DTI. Its main function being the generation of investments in the country.

## PHILIPPINE ECONOMIC ZONE AUTHORITY

The PEZA was established because of “The Special Economic Zone Act of 1995.”

Businesses registered under the BOI and PEZA enjoy added fiscal and non-fiscal benefits.

## FOOD AND DRUG AUTHORITY

The regulatory body responsible for ensuring that the food, drug and cosmetic products available to the public are safe for consumption is the FDA.

The License to Operate (LTO) and Certificate of Product Registration (CPR) are granted by the FDA.

## BUREAU OF IMMIGRATION

The Bureau of Immigration is the immigration regulatory and control body of the Philippines. They ensure that all foreigners entering the country comply with its existing laws.

All Immigration and Visa applications are subject to the approval of the Bureau of Immigration.

# GOVERNMENT PROGRAMS PERTAINING TO FOREIGN INVESTMENT

In order to attract more foreign investors to invest in the country, the government provides programs offering incentives such as Income Tax Holidays.

Below is a list of the said government programs.

- Projects registered under the board of investments
- Projects registered at the regional board of investments – autonomous region in Muslim Mindanao
- Projects registered at the economic zones and

freeport authorities

- Philippine Economic Zone Authority
- Subic Bay Metropolitan Authority and Clark Freeport Zone (RA 7227, as amended by RA 9400)
- Cagayan Economic Zone Authority (CEZA) RA 7922
- Zamboanga City Special Economic Zone Authority (ZEZA) RA 7903
- PHIVIDEC Industrial Authority (PD 538)
- Aurora Special Economic Zone (ASEZA) RA 9490
- Projects Registered at Subsidiaries of Bases Conversion and Development Authority (RA 7227 and its amendatory law, RA 9400)
- Projects Registered at the Tourism Infrastructure and Enterprise Zone Authority (TIEZA)
- Projects Registered as Regional Headquarters and Regional Operating Headquarters (RHQs/ROHQs)

# ACQUIRING NON-IMMIGRANT VISA

## EMPLOYMENT VISA

### Alien Employment Permit

The AEP is a document issued by the Department of Labor and Employment allowing a Foreigner to work in the Philippines.

The AEP is required for the following visa types:

- SIRV
- 9g
- 9d
- 47a2

Special Visa (Offshore banking and ROHQ and RHQ)

### 9D – Treaty Trader

This visa is applicable for nationals of a country with which the Philippines has an existing agreement for the admission of treaty traders or investors. Currently, these countries include the United States, Germany, and Japan.

### 9G - Pre-Arranged Employment Visa

This means that the applicant must already have an existing employer in the Philippines. This visa is available to a foreigner who will be occupying an executive, technical, managerial, or highly confidential position in a local company and who is proceeding to the Philippines to engage in any lawful occupation, whether for wage or salary or for other forms of compensation, where a bona fide employer-employee relationship exists.

## INVESTOR VISA

### 47a2 Visa

The President, acting through the appropriate government agencies (BOI, PEZA, DOJ) has exercised this authority by allowing the entry of foreign personnel employed in supervisory, technical or advisory positions in Export Processing Zone Enterprises, Board of Investments registered enterprises, and Special Government Projects (e.g. MRT, Skyway). Special Visa is issued to foreign personnel of Offshore Banking, ROHQ and RHQ and entitles holder to multiple entry into the Philippines.

### Special Investor Resident Visa (SIRV)

Allows the holder to stay indefinitely in the Philippines, providing they have made a significant investment of \$75,000 to industries in the Philippines.

### Special Investor Resident Visa for investors in tourist-related projects and tourist establishments

Allows the holder to stay indefinitely in the Philippines, provided they have made a significant investment of \$50,000 into the Tourism Sector of the Philippines.

### Special Resident Retirees Visa (SRRV)

Entitles the holder to multiple-entry privileges with the right to reside permanently in the Philippines as long as investment (varies depending on age) deposit subsists.

### Special Visa for Employment Generation (SVEG)

The SVEG is a special non-immigrant visa viable for foreigners who will engage in a lawful and sustainable enterprise, trade or industry and will employ at least 10 Filipinos.

### Subic Special Investor's Visa

Entitles the holder to a resident status allowing him to stay indefinitely in the Subic Bay Freeport Zone and multiple entry into the Philippines for as long as the holder has made and continues to maintain an investment of not less than US\$250,000 within the Subic Bay Freeport Zone.

### Subic Special Retiree's Visa

Entitles the holder to reside permanently in the Philippines for as long as the retiree remains a resident of Subic Bay Freeport and maintains a pension or passive income that is payable in Subic Bay Freeport and exceeds US\$50,000.00 per year.

## TAXATION

### INCOME TAX

#### Domestic Corporation

A domestic corporation is taxable on its world-wide income at 30% flat rate. Business expenses and direct costs paid or incurred during the taxable year such as salaries or wages, travel expenses, rentals, entertainment, interest, taxes, bad debts, depreciation, and other related expenses may be deducted from gross income to arrive at taxable income.

A minimum corporate income tax (MCIT) of 2% of gross income as of the end of the taxable year is imposed on domestic corporations beginning on the fourth taxable year immediately following the year when it commenced business operations. The corporation is liable to pay either MCIT or the regular income tax of 30%, whichever is higher.

Proprietary educational institutions and hospitals shall only pay 10% of their taxable income provided that income from other unrelated business activities aside from the primary purpose will not exceed 50% of gross revenue from all sources.

Dividends received by a domestic corporation from another domestic corporation are not subject to tax.

Capital gains from sale of real properties treated as capital assets are subject to 6% tax on the gross selling price or fair market value, whichever is higher.

#### Resident Foreign Corporation

Resident foreign corporations are those engaged in trade or business within the Philippines. They are generally subject to a tax equivalent to 30% of the taxable income derived only from Philippine sources. The 2% MCIT is also imposed on resident foreign corporations on their income derived within the Philippines and under the same conditions as a domestic corporation.

Branch profits remittances are subject to 15% tax based on the total profits applied or earmarked for remittance without any deduction for the tax component thereof, except for activities registered with the Philippine Economic Zone Authority and other special economic zones.

Interests of currency bank deposits are subject to 20% tax while interest incomes under the expanded foreign currency deposit system are subject to 7.5% tax.

Intercorporate dividends or dividends received by a resident foreign corporation from a domestic corporation are not subject to tax.

Some types of resident foreign corporations are taxed at preferential rates, as shown in Figure 1.

<b>Preferential Tax Rates for Resident Foreign Corporations</b>	
<b>Foreign Corporation</b>	<b>Tax rate</b>
International Carriers	2.5% of Gross Philippine Billings
Offshore Banking Units	10% tax on interest income derived from foreign currency loans to residents
Regional or Area Headquarter	Exempt
Regional Operating Headquarter	10% of taxable income

Figure 1

### Non-Resident Foreign Corporation

Foreign corporation not engaged in trade or business in the Philippines is liable to 30% tax on the gross income received from Philippine sources such as interest, dividends, rents, royalties, salaries, premiums (except reinsurance premiums), annuities, emoluments, profits and income, and capital gains, except capital gains from the sale of shares of stock not traded in stock exchange.

Some non-resident foreign corporations are subject to preferential tax rates, as shown in Figure 2.

Interests on foreign loans are subject to 20% tax.

Dividends received by non-resident foreign corporations from domestic corporations are subject to 30% tax but may be reduced to 15% if the country of the non-resident foreign corporation allows credit against the tax due from the non-resident foreign corporation taxes deemed to have been paid in the Philippines equivalent to 15%.

Net capital gains by domestic, resident, and non-resident foreign corporations from the sale of shares of stock in a domestic corporation not traded through local stock exchange are subject to tax of 5% for the first Php100,000 and 10% on the excess.

### BUSINESS TAX AND OTHER TAXES

#### Value Added Tax (VAT)

VAT of 12% is imposed on any person who sells, barter, exchanges or leases goods or properties, renders services, or imports goods in the course of trade or business and whose aggregate annual sales or receipts exceed Php 1,919,500. It is an indirect tax and the amount may be passed on to the buyer, transferee or lessee of the goods, properties or services.

Export sales of goods and services are generally subject to 0% VAT, including those considered export sales under the Omnibus Investment Code and other special laws.

Those corporations that do not meet the threshold of Php 1,919,500 shall be registered as non-VAT and are liable to pay percentage tax of 3% of gross sales or receipts.

Percentage tax also applies to corporations engaged in certain activities such as those domestic carriers and keepers of garages, international air and shipping carriers, franchises of radio and television broadcasting, gas and water utilities, overseas dispatch, message or conversation originating from the Philippines, banks and non-bank financial intermediaries performing quasi-banking functions, insurance premium, amusement, winnings and sale of shares of stocks through the local stock exchange.

<b>Preferential Tax Rates for Non-Resident Foreign Corporations</b>	
<b>Foreign Corporation</b>	<b>Preferential tax rate</b>
Cinematographic Film Owner, Lessor or Distributor	25% of gross income
Owner or Lessor of Vessels Chartered By Philippine Nationals	4.5% of gross rentals, lease and charter fees
Owner or Lessor of Aircraft, Machinery and Other Equipment	7.5% of gross rentals or fees

Figure 2

## Excise Tax

Excise taxes apply to selected goods or articles manufactured or produced in the Philippines for domestic sale or consumption or for any other disposition and to things imported into the Philippines.

Some goods subject to excise taxes are wines and distilled spirits, alcohol products, fermented liquors, petroleum products, tobacco products, cigar and cigarettes, automobiles, jewelry and precious metals, perfumes and toilet waters, yachts and other vessels intended for pleasure or sports, and other mineral products.

## Documentary Stamp Tax (DST)

DST is a tax on the privilege of executing documents, instruments, loan agreements and papers, and upon acceptances, assignments, sales and transfers of obligation, right or property.

The issuance of original or transfer of shares or certificates of stocks, bonds, debentures, certificates of stocks or indebtedness issued in foreign countries, certificates of profits or interest in property or accumulations, bank checks, drafts, certificates of deposit not bearing interests, all debt instruments, bill of exchange or drafts, letters of credit, insurance policies, annuity and pre-need plans, certificates, warehouse receipts, bill of lading or receipts, powers of attorney, lease and hiring agreements, mortgage, pledges or deeds of trust, deed of sale and conveyances of real property, charter parties and similar instruments are subject to DST in various rates.

## RECENT BIR ISSUANCES

### Mandatory Submission of Quarterly SLSP

All VAT registered taxpayers are required to submit the quarterly summary list of sales and purchases (SLSP) starting 2012. Penalties shall be imposed on non-submission of SLSP.

*(REVENUE REGULATIONS NO. 1-2012, February 20, 2012)*

### Effectivity of Adjusted VAT Threshold for Real Properties

Starting January 1, 2012, sale of residential lot at Php 1,919,500 and below and residential house & lot valued at Php 3,199,200 and below are exempt from value-added tax (VAT).

Instruments executed and notarized on or after November 1, 2005 but prior to January 1, 2012 should have the threshold amounts of Php 1,500,000 for residential lot and Php 2,500,000 for residential house & lot and below to be exempt from VAT.

*(REVENUE REGULATIONS NO. 3-2012, February 20, 2012)*

## Failure to Beat Bank Cut-off Penalized

Previous one day late filing and remittance due to failure to beat the bank cut-off time is subject to penalty but may be abated or cancelled by the BIR. However, the rule was recently amended and such failure will be penalized accordingly.

*(REVENUE REGULATIONS NO. 4-2012, March 28, 2012)*

## Taxation of Sale of Gold

Sale of gold and other metallic minerals is subject to 2% excise tax on the actual market value of the gross output at the time of removal or the value assessed by the Bureau of Customs in case of importation. This is also subject to 12% VAT if sold to persons and entities aside from the Bangko Sentral ng Pilipinas.

Further, sellers are subject to income tax just like regular taxpayers. Buyers are required to withhold 5% tax of the gross payment made to the sellers of gold.

*(REVENUE REGULATIONS NO. 6-2012, April 2, 2012)*

## De Minimis, Benefits Amended

Uniform and clothing allowances of employees not exceeding Php 5,000 per annum are not subject to income tax. This is part of the facilities and privileges considered relatively small value, hence, not taxable.

*(REVENUE REGULATIONS NO. 8-2012, May 11, 2012)*

## Tax of Involuntary Sales

Owners and mortgagors who fail to redeem foreclosed or auctioned of properties within the redemption period shall be subject to taxes on such involuntary sales. This includes capital gains tax for capital asset, creditable withholding tax (CWT), income tax and VAT for ordinary asset as well documentary stamp tax (DST) on the documents executed.

Capital gains tax should be filed and paid within 30 days from the expiration of redemption period while CWT is payable within 10 days following the end of the month after expiration of the statutory redemption period, except from the month of December which should be filed on or before January 15 of the following year.

Ordinary assets are subject to VAT whose return must be filed on or before the 20th or 25th day of the month following the month when the redemption prescribes.

DST is subject to tax within 5 days after the close of the month after the lapse of the applicable statutory redemption period.

*(REVENUE REGULATIONS NO. 9-2012, June 1, 2012)*

## Joint Venture, Not Taxable

A joint venture or consortium formed for the purpose of undertaking construction projects are not taxable as a corporation, but should meet the following requirements:

It should be for the undertaking of a construction project;

It should involve joining or pooling of resources by local contractors licensed as general contractor by the Philippine Contractors Accreditation Board (PCAB);

The local contractors are engaged in construction business; and

The joint venture must be likewise licensed by the PCAB.

Joint ventures involving foreign contractors, to be exempt from tax, must be covered by a special license as contractor by the PCAB and the construction project is certified by the appropriate government office that it is foreign financed or internally funded project and the international bidding is allowed under the Bilateral Agreement entered into by and between the Philippine Government and the foreign or international financing institution.

*(REVENUE REGULATIONS NO. 10-2012, June 1, 2012)*



## APPENDIX

### LIST A: FOREIGN OWNERSHIP IS LIMITED BY MANDATE OF THE CONSTITUTION AND SPECIFIC LAWS

#### No Foreign Equity

1. Mass Media except recording (Art. XVI, Sec. 11 of the Constitution; Presidential Memorandum dated 04 May 1994)
  2. Practice of professions
    - a. Engineering
      - i. Aeronautical
      - ii. Agricultural
      - iii. Chemical
      - iv. Civil
      - v. Electrical
      - vi. Electronics and Communication
      - vii. Geodetic
      - viii. Mechanical
      - ix. Metallurgical
      - x. Mining
      - xi. Naval Architecture and Marine
      - xii. Sanitary
    - b. Medicine and Allied Professions
      - i. Medicine
      - ii. Medical Technology
      - iii. Dentistry
      - iv. Midwifery
      - v. Nursing
      - vi. Nutrition and Dietetics
      - vii. Optometry
      - viii. Pharmacy
      - ix. Physical and Occupational Therapy
      - x. Radiologic and X-ray Technology
      - xi. Veterinary Medicine
    - c. Accountancy
    - d. Architecture
    - e. Criminology
    - f. Chemistry
    - g. Customs Brokerage
    - h. Environmental Planning
    - i. Forestry
    - j. Geology
    - k. Interior Design
    - l. Landscape Architecture
    - m. Law
    - n. Librarianship
    - o. Marine Deck Officers
    - p. Marine Engine Officers
    - q. Master Plumbing
    - r. Sugar Technology
    - s. Social Work
    - t. Teaching
    - u. Agriculture
    - v. Fisheries
- (Art. XII, Sec. 14 of the Constitution; Sec. 1 of RA 5181)*
3. Retail trade enterprises with paid-up capital of less than US\$ 2,500,000 (Sec. 5 of RA 8762)
  4. Cooperatives (Ch. III, Art. 26 of RA 6938)
  5. Private Security Agencies (Sec. 4 of RA 5487)
  6. Small-scale Mining (Sec. 3 of RA 7076)
  7. Utilization of Marine Resources in archipelagic waters, territorial sea, and exclusive economic zone (Art. XII, Sec. 2 of the Constitution)
  8. Ownership, operation and management of cockpits (Sec. 5 of PD 449)
  9. Manufacture, repair, stockpiling and/or distribution of nuclear weapons (Art. II Sec. 8 of the Constitution)
  10. Manufacture, repair, stockpiling and/or distribution of biological, chemical and radiological weapons and anti-personal mines (Various treaties to which the Philippines is a signatory and conventions supported by the Philippines)
  11. Manufacture of firecrackers and other pyrotechnic devices (Sec. 5 of RA 7183)

#### Up to Twenty Percent (20%) Foreign Equity

12. Private radio communication network (RA 3846)

#### Up to Twenty-Five Percent (25%) Foreign Equity

13. Private recruitment, whether for local or overseas employment (*Art. 27 of PD 442*)
14. Contracts for the construction and repair of locally-funded public works (*Sec. 1 of CA 541, LOI 630*) except:
  - a. Infrastructure/development projects covered in RA 7718; and
  - b. projects which are foreign funded or assisted and required to undergo international competitive bidding (*Sec. 2(a) of RA 7718*)
15. Contracts for construction of defense-related structure (*Sec. 1 of CA 541*)

#### Up to Thirty Percent (30%) Foreign Equity

16. Advertising (Art. XVI, Sec. 11 of the Constitution)

#### Up to Forty Percent (40%) Foreign Equity

17. Exploration, development and utilization of natural resources (Art. XII, Sec. 2 of the Constitution)

18. Ownership of Private Lands (Art. XII, Sec. 7 of the Constitution; Ch. 5, Sec. 22 of CA 141)
19. Operation and management of public utilities (Art. XII, Sec. 11 of the Constitution; Sec. 16 of CA 146)
20. Ownership/establishment and administration of educational institutions (Art. XIV, Sec. 4 of the Constitution)
21. Culture, production, milling, processing, trading excepting retailing, of rice and corn and acquiring, by barter, purchase or otherwise, rice and corn and the by-products thereof (Sec. 5 of PD 194; Sec. 15 of RA 5762)
22. Contracts for the supply of materials, goods and commodities to government-owned or controlled corporation, company, agency or municipal corporation (Sec. 1 of RA 5183)
23. Project Proponent and facility Operator of a BOT project requiring a public utilities franchise (Art. XII, Sec. 11 of the Constitution; Sec. 2a of RA 7718)
24. Operation of deep sea commercial fishing vessels (Sec. 27 of RA 8550)
25. Adjustment Companies (Sec. 323 of PD 612 as amended by PD 1814)
26. Ownership of condominium units where the common areas in the condominium projects are co-owned by the owners of the separate units or owned by a corporation (Sec. 5 of RA 4726)

### Up to Sixty Percent (60%) Foreign Equity

27. Financing companies regulated by the Securities and Exchange Commission (Sec. 6 of RA 5980 as amended by RA 8556)
28. Investment housed regulated by the SEC (Sec. 5 of PD 129 as amended by RA 8366)

## LIST B: FOREIGN OWNERSHIP IS LIMITED FOR REASONS OF SECURITY, DEFENSE, RISK TO HEALTH AND MORALS AND PROTECTION OF SMALL-AND MEDIUM-SCALE ENTERPRISES

### Up to Forty Percent (40%) Foreign Equity

1. Manufacture, repair, storage, and/or distribution of products and/or ingredients requiring Philippines National Police (PNP) clearance:
  - a. Firearms (handguns to handguns), parts of firearms and ammunition therefore, instruments or implements used or intended to be used in the manufacture of firearms
  - b. Gunpowder
  - c. Dynamite
  - d. Blasting supplies
  - e. Ingredients used in making explosives:
    - i. Chlorates of potassium and sodium
    - ii. Nitrates of ammonium, potassium, sodium,

barium, copper (11), lead (11), calcium and cuprite

- iii. Nitric acid
- iv. Nitrocellulose
- v. Perchlorates of ammonium, potassium and sodium
- vi. Dinitrocellulose
- vii. Glycerol
- viii. Amorphous Phosphorus
- ix. Hydrogen Peroxide
- x. Strontium nitrate powder
- xi. Toluene

- f. Telescopic sights, sniper scope and other similar devices

*However, the manufacture or repair of these items may be authorized by the Chief of the PNP to non-Philippine nationals; Provided that a substantial percentage of output, as determined by the said agency, is exported. Provided further that the extent of foreign equity ownership allowed shall be specified in the said authority/clearance (RA 7042 as amended by RA 8179)*

2. Manufacture, repair, storage and/or distribution of products requiring Department of National Defense (DND) clearance:
  - a. Guns and ammunition for warfare
  - b. Military ordinance and parts thereof (e.g., torpedoes, depth charges, bombs, grenades, missiles)
  - c. Gunnery, bombing and fire control systems and components
  - d. Guided missiles/missile systems and components
  - e. Tactical aircraft (fixed and rotary-winged), parts and components thereof
  - f. Space vehicles and components systems
  - g. Combat vessels (air, land and naval) and auxiliaries
  - h. Weapons repair and maintenance equipment
  - i. Military communications equipment
  - j. Night vision equipment
  - k. Stimulated coherent radiation devices, components and accessories
  - l. Armament training devices
  - m. Others as may be determined by the Secretary of the DND

*However, the manufacture or repair of these items may be authorized by the Secretary of the DND to non-Philippine nationals; Provided that a substantial percentage of output, as determined by the said agency is exported. Provided further that the extent of foreign equity ownership allowed shall be specified in the said authority/clearance (RA 7042 as amended by RA 8179)*

3. Manufacture and distribution of dangerous drugs
4. Sauna and steam bathhouses, massage clinics and other like activities regulated by law because of risks posed to public health and morals
5. All forms of gambling, e.g. race track operation
6. Domestic market enterprises with paid-in equity capital of less than the equivalent of US\$200,000
7. Domestic market enterprises which involve advanced technology or employ at least fifty (50) direct employees with paid-in-equity capital of less than the equivalent of US\$100,000