

Philippines Payroll & Tax Overview

A GUIDE TO DOING BUSINESS IN UNITED PHILIPPINES 2017





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1.0 Key Country Facts and Public Holidays

1.1 Official Language

Filipino, English (both official), 12 other languages have official status on the regional level among the scores spoken in the country

1.2 Currency

Philippine peso

1.3 Country Dial code

The country dial code is +63

1.4 Country abbreviation

The country abbreviation is PH

1.5 Statutory Filing Payment Methods

Online transfer

1.6 National Minimum wage

	NEW DAILY BASIC MINIMUM WAGE RATES	
Sector/Industry	Baguio City, Municipalities of La Trinidad, Itogon, Sablan, and Tuba Benguet (BLIST)	Other Areas in the Region
All Industries/Sectors	P 285.00	P 265.00
Micro Enterprises	270.00	255.00

1.7 Filing Deadlines

Annual filing Deadline: April 15 is the deadline for filing income tax returns

1.8 Fiscal year

Calendar year

1.9 Time Zone

Philippine Time Zone (UTC+08:00)

Holidays in Philippines 2016/17					
2016	2017	Holiday	Holiday Type		
01 January	01 January	New Year's Day	National Holiday		
02 January	02 January	Public Holiday	National Holiday		
08 February		Chinese New Year	National Holiday		
25 February		EDSA People Power Revolution	Special Holiday for all schools		
		anniversary			
24 March	13 April	Maundy Thursday	National Holiday		
25 March	14 April	Good Friday	National Holiday		
26 March	15 April	Black Saturday	National Holiday		
09 April	09 April	The Day of Valor	National Holiday		
01 May	01 May	Labor Day	National Holiday		
12 June	12 June	Independence Day	National Holiday		
21 August	21 August	Nonoy Aquino Day	National Holiday		
29 August	28 August	National Heroes Day	National Holiday		
01 November	01 November	All Saints Day	National Holiday		
30 November	30 November	Bonifacio Day	National Holiday		
24 December	24 December	Christmas Eve	National Holiday		
25 December	25 December	Christmas Day	National Holiday		
30 December	30 December	Rizal Day	National Holiday		
31 December	31 December	New Years Eve	National Holiday		



2.0 Business and Culture in Philippines

2.1 Establishing as an Employer

The company can register online through SEC i-Register, but entrepreneurs must pay at the SEC. The following documents are required for SEC registration:

- a. Company name verification slip;
- b. Articles of incorporation (notarized) and by-laws;
- c. Treasurer's affidavit (notarized);
- d. Statement of assets and liabilities;
- e. Registration data sheet with particulars on directors, officers, stockholders, and so forth;
- f. Written undertaking to comply with SEC reporting requirements (notarized);
- g. Written undertaking to change corporate name (notarized).

On August 15, 2011, SEC launched the Green Lane Unit (GLU) that provides 1 day registration of applications for stock corporations and partnership. In practice, it takes 1-3 business days to process incorporation papers and obtain SEC approval.

The pre-registered Taxpayer Identification Number (TIN) is automatically obtained from the SEC Head Office upon registration. However, the company must still register with the Bureau of Internal Revenue (BIR) in order to identify applicable tax types, pay an annual registration fee, obtain and stamp sales invoices, receipts and the books of accounts.

Cost: (PHP 2,066.14 filing fee equivalent to 1/5 of 1% of the authorized capital stock or the subscription price of the subscribed capital stock, whichever is higher but not less than PHP 1,000 + PHP 19.26 legal research fee (LRF) equivalent to 1% of filing fee but not less than PHP 10 + PHP 500 By-laws + PHP 150 for registration of stock and transfer book (STB) required for new corporations + PHP 320 STB + PHP 10 legal research fee for the By-laws)

2.2 Employment

The normal hour's work of an employee shall not exceed 8 hours a day. However, Health Personnel shall have a maximum of 40 hours a week. If made to work in excess of 40 hours, they are entitled to 30% additional pay.

The law sets a maximum number of hours but does not prohibit work done less than eight hours. Thus, part-time work is allowed and pay corresponding to the actual hours worked will be paid.

Overtime Work is work rendered beyond 8 hours. Every hour worked in excess of 8 hours earns an additional pay of **P25%**. The rate is **30%** if done on a rest day or holiday.



3.0 Visas and Work Permits

3.1 Visas

There are different visa types in Philippines:

- A tourist visa is only necessary for stays exceeding 30 days and requiring multiple entries.
- A non-immigrant visa is granted for the purpose of pre-arranged employment, trade, transit, and study visits. The requirements naturally vary.
- Non-quota immigrant visas apply to children and spouses of Philippine citizens and returning natural-born Filipinos.
- Quota immigrant visas are granted to applicants with enough financial capital who possess extraordinary professional skills or qualifications to benefit the country. A maximum of 50 quota immigrant visas are granted per year.
- The special resident retiree visa is a non-immigrant visa that allows multiple entries and indefinite stay. To participate in this visa program, applicants must submit a deposit of up to USD 50,000.

The visa requirements for the Philippines vary significantly, depending on the purpose and the duration of your stay. However, as an example, the necessary documents for a pre-arranged employment visa include:

- A passport valid for at least 6 to 12 months
- Two completed application forms
- Copy of employment contract
- Curriculum vitae
- Passport-sized pictures, signed on front bottom
- Medical and physical examination report by an authorized physician (including a chest X-ray, lab reports, and a certificate that you are HIV-negative)
- Visa application fee

If you are planning to move to the Philippines with your family, you should also attach any birth certificates and a marriage certificate. These documents must be notarized. If you apply in a language other than English, remember to submit your paperwork with certified English translations.

3.2 Work permits

A Philippines work permit is based upon the candidate having a job offer in place. The applicant must also be sponsored by a company based within the Philippines.

The process of applying for a Filipino work permit will vary depending upon the duration of the assignment and the length of time that a client will be living and working in the Philippines.

Applying for a Philippines Work Visa

Depending upon the length of time a candidate intends to live and work, the Philippines visa application procedure will follow one of several courses.

- Where a candidate will be relocating to the Philippines for less than six months they will be required to submit a Special Work Permit application.
- However where the duration of an assignment exceeds six months, candidates may apply for a Philippines work permit either from within the country or from their own country of residence.

Eligibility Requirements

All work visas for the Philippines will require the candidate to have a sponsor in place, i.e. a Philippines based company. The offer of employment must be demonstrated through a letter of request from the sponsoring employer in addition to an affidavit of support and guarantee.

The applicant will also need to supply a range of supporting documentation including a valid passport, an Alien Employment Permit (AEP) already obtained from the Department of Labour and Employment and documentation regarding any accompanying dependents such as the applicant's spouse and children.



4.0 Tax and Social Security

4.1 Tax

Income of residents in Philippines is taxed progressively up to 32%. Resident citizens are taxed on all their net income derived from sources within and without the Philippines.

For non-resident, whether an individual or not of the Philippines, is taxable only on income derived from sources within the Philippines.

This will entail six income brackets:

those earning zero to P250,000 a year will be slapped P2,500 in income tax in the first year; more than P250,000 to P400,000 will be charged P2,500 plus 20 percent of the excess over P250,000; more than P400,000 to P800,000 will pay P32,500 plus 25 percent of the excess over P400,000; more than P800,000 to P2 million will be taxed P132,500 plus 30 percent of the excess over P800,000; more than P2 million to P5 million will pay P492,500 plus 32 percent of the excess over P2 million, and more than P5 million will be taxed P1.45 million plus 35 percent of the excess over P5 million.

The tax rate for those earning P250,000 and below annually, which account for 83 percent of taxpayers in 2013, will be kept in the second year onwards, while the tax rates for the five other income brackets will have downward adjustments.

The above rates apply to individuals who derive income from business (including capital gains from the sale transfer or exchange of shares in a foreign corporation) or from the practice of a profession. I Individuals holding managerial and highly technical positions employed by RHQs1, ROHQs2, multinational companies and offshore business units are taxed at 15% on their gross income.

Income in Philippines is divided into the following three categories which are taxed separately, as summarized below.

- 1. Compensation employment income: This income is taxed at progressive rates on gross income after deduction of personal and additional exemptions but without deductions for expenses.
- 2. Passive income: This income, including dividends and interest, is subject to tax at 7.5%.
- 3. Business income and professional income: This income is taxed at progressive rates on net business income after deduction of certain specified expenses.



4.3 Social Security

The Philippine Social Security System (Filipino: Paseguruhan ng Kapanatagang Panlipunan, or SSS) is a social insurance program for workers in the Philippines. It is a government agency that provides retirement and health benefits to all enrolled employees in the Philippines. Members of the SSS can also make 'salary' or 'calamity' loans. Salary loans depend on the monthly salary of the employee. Calamity loans are for such times when there is a calamity that has been so declared by the government, in the area where the SSS member lives, such as flooding, earthquake and natural disasters.

Employees of the Philippine National Government do not contribute to SSS but rather have their own system, the Government Service Insurance System or GSIS.

Rate of Contributions to SSS

The monthly contributions are based on the compensation of members (Please see table on the last page). The current SSS contribution rate is 11% of the monthly salary credit not exceeding P16,000 and this is being shared by the employer (7.37%) and the employee (3.63%).

Self-employed and voluntary members pay the 11% of the monthly salary credit (MSC) based on the monthly earnings declared at the time of registration.

For OFWs, the minimum monthly salary credit is pegged at P5,000.

For the non-working spouse, the contribution will be based on 50% of the working spouse?s last posted monthly salary credit but in no case shall it be lower than P1,000.



5.0 Compliance

5.1 Employer Registration

A new company should

- 1. Register with the Social Security System (SSS)
- 2. Register with the Philippine Health Insurance Corporation (PHIC or PhilHealth), except private sector employers who registered with the SSS prior to 1st July 1999, who are considered automatically registered.
- 3. Register with the Bureau of Internal Revenue (BIR)

5.2 Starters/Registration

The company needs to provide the following information for new starters:-

- Gather together the basic details, including full name, salary, start date, number of dependents, marital status, who claims the dependent children;
- Provide employees with Taxpayer Identification Numbers (TIN), Social Security System (SSS) number, Philippine Health Insurance Corporation (PHIC) number & Home Development Mutual Fund (HDMF) number;
- Submit the following forms to the respective statutory authorities for newly hired employees:
 - To the SSS;
 - SS Form R-1A or Employment Report employer updates;
 - To the PHIC;
 - PhilHealth Form PMRF or PhilHealth Member Registration Form used when registering with any membership program and when amending member data;
 - PhilHealth Form ER2 or Report of Employee-Members employer updates;
 - To the HDMF:
 - HDMF M2-2A or Member Change of Information for change of employer/company;
 - To the Bureau of Internal Revenue (BIR);
 - o BIR Form 1902 or Application for Registration;
 - BIR Form 2305 or Certificate of Update of Exemption and of Employer's and Employee's Information;
 - Submit certificate of income from previous employer (BIR Form 2316 or Employer's Certificate of Compensation Payment / Tax Withheld) for all new hires employed within the same tax year to BIR; and Submit Quarterly Employee Listing of Minimum Wage Earners to Regional/Provincial Department of Labor and Employment or to the Regional Tripartite Wages and Productivity Board (RTWPB), National Wages and Productivity Commission (NWPC).

5.3 Leavers/De-registration

The company needs to provide the following information for leavers:-

- Gather leaver's name and employee number, date and cessation reason, last unpaid working day, any additional payments due to the employee such as pro-rated bonus, leave encashment etc.;
- Maintain the records for all resigned employees within the taxable year and include these in the Year-End Tax Filing (referred to as Alphalisting) for those employees who resigned before December 31; and notify SSS, PHIC and HDMF of an employee's resignation within 30 calendar days from date of separation.



6.0 Statutory Absence/Payments

6.1 Holidays

Twelve (12) paid holidays regular holidays and seven (7) special holidays per year as provided under Proclamation No. 831

6.2 Vacation

Thirteen (13) vacation days, with additional 1 vacation day every year starting on 2nd year of service and convertible to cash at the end of each year. Maximum total vacation leave is 18 days.

6.3 Retirement

The plan, which is 100% funded by the company calculated at one month's base salary per year of service based on the employee's latest basic rate upon normal retirement at age 60, death or total and permanent disability. Early retirement benefit can be available to 10 years of service equal to 50% of normal retirement benefit.

6.4 Maternity leave

The benefit is 100% of the insured's average daily covered earnings. The benefit is paid for 60 days for childbirth or a miscarriage (78 days for a caesarian birth).

Daily covered earnings are the sum of the 6 highest months of covered earnings in the 12 months before the 6-month period (January-June, April-September, July-December, or October-March) in which the birth or miscarriage occurred divided by 180. Seven days paid paternity leave for married workers. 7 days 100% parental leave per year for solo parents until the child is 18, or indefinitely if the child has a disability.

Maternity and paternity leave benefits are up to the 4th pregnancy only.

6.5 Paternal leave

All legally married male employees are eligible for 7 working days up to four (4) child birth or miscarriage of legitimate spouse to be availed within sixty (60) days from deliver / miscarriage.

6.6 Sickness

Twelve (12) days per year for the first two years of service. With additional 1 sick leave every year starting on 2nd year of service. Maximum total sick leave is 15 days. All unused leave days are convertible to cash in December of each year. A daily allowance of 90% of the insured's average daily covered earnings is paid. The benefit is paid after a 3-day waiting period (except for an injury or an acute disease) for up to 120 days in a calendar year. The benefit payment period must not exceed 240 days for the same illness.

Daily covered earnings are the sum of the 6 highest months of covered earnings in the 12 months before the 6-month period (January-June, April-September, July-December, or October-March) in which the incapacity began divided by 180.

6.7 Benefits

13th month

The Company grants a 13th month pay equivalent to one (1) month's pay to all eligible associates every November of each year. Associates with at least one (1) year of service as of November 20th shall receive a full bonus equivalent to one (1) month's basic monthly salary while those less than one (1) year of service shall receive a pro-rated bonus provided they have worked for 1 month.

Mid-year Bonus

The company grants bonus equivalent to a half month pay. All probationary and regular employees are eligible to this bonus.

Rice Allowance

The Company shall provide rice subsidy to all eligible associates in cash which shall be incorporated in the payroll, tax-free, every month.



Meal Subsidy

The Company provides its associates with a meal subsidy to partially cover for meals every day that the associate reports for work and to alleviate his daily expenses. An employee must have rendered the minimum number of hours per day to get a full or half-meal credit.

Tuition Fee Subsidy

All employees are eligible upon hire. Amount of subsidy: P 2,500 given in April of each year. Employee's Educational Assistance Program

Provides reimbursement of duly approved educational expenses upon satisfactory completion of the course and provided that the degree or course taken is relevant to the employee's present or prospective job assignment. Maximum reimbursement per term is P 10,000. All regular employees are eligible to this benefit.

Kapwa Tulong Program

Cash assistance provided to an employee in cases of death of immediate dependents or calamity. The company matches the contribution of employees thru the Kapwa Tulong Program which is administered through salary deduction. **Attendance Bonus**

A bonus equivalent to one day pay given to all Regular and Probationary Employees who are Job Grade 8 & below, and all Technicians. Associates must have perfect attendance in one (1) month with no tardiness, under time or unexcused absence.

Prolong Sickness (PSL) Benefits

It is given to all employees with at least six months of service. Purpose of this benefit is to provide regular employees with salary protection during recuperation period from certain medical conditions. The condition may include but not limited to; o Chronic ailments requiring at least one month of treatment whether through hospitalization or outpatient basis. o Major Operative procedures such as, but not limited to, general and specialized surgeries, and major gynaecological operation. Obstetrical surgical procedures such as caesarian section are not included under this benefit. o Post-injury conditions which warrant long recuperation period.

Loyalty Token

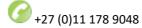
Employees are recognized for their loyal and dedicated service to the company for every five years of continuous service by the way of gift check or token, plus plaque of appreciation during the service award ceremony.



7.0 In-country Payroll Providers



Axiomatic Consultants is a management consulting firm that offers a wide-ranging list of services, including outsourced payroll services in 22 African countries.







Since 2002, Expaticore has specialised in Local National and Expatriate payroll, Assignment Management Services and International HR Consulting Services.











8.0 About This Payroll and Tax Overview

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