

General Information

Formation of a Philippine Domestic Company

There is no specific amount required for the share capital except for certain industry classifications, or where a substantial foreign ownership is involved. We can specifically advise clients of the requirements once details of the company's industry and ownership structure is determined. The Philippine patrimony laws threshold for a domestic company to be considered a Filipino domestic corporation, is that its share capital must not be more than 40% foreign-owned (also known as the 60/40 rule). If foreign ownership exceeds the threshold, a minimum paid up capital equivalent to USD200,000.- is required. Note: there are other restrictions on foreign-owned capital, such as on ownership of real estate and on certain reserved industries.

The incorporators set the authorized capital of the company, at least 25% of which must be subscribed. Of the subscribed capital at least 25% of which must be paid up.

The company will require a minimum of 5 Directors of which 3 must be Philippine resident nationals, who must also be shareholders in the company. In a "60/40" company, it is not enough for the Filipino shareholders to be able to declare that they are the "legal" owners of the shares, they must also be able to declare that they are the "beneficial" owners of the shares. See below for our recommendations on how best to deal with this issue.

Tax

Careful attention needs to be paid to this subject. The new company is required to register with the Bureau of Internal Revenue (BIR) before it may conduct any on shore activity and issue any invoices in the Philippines. VAT will normally apply to services invoiced to customers of the company.

VAT – **12%**

Corporation Tax – **30%**

VAT & Withholding taxes must be reported monthly

Dividends - the following Tax rules apply:

Individual – **10%**

Domestic Corporation – **nil**

Resident foreign Corporation – **nil**

Non Resident foreign Corporation – Dividends distributed by a Philippine company to a nonresident are subject to a 30% withholding tax, unless the recipient is resident in a jurisdiction which has a double tax treaty with the Philippines under which the rate is reduced (usually to either **10%** or **15%**)

Voting Rights:

Under the standard articles of association compliant with the 60/40 rule specified above, control of the company would rest with the 3 resident nationals, who are both majority equity holders and voting directors. Depending on the specific circumstances of the formation, we can provide advice and present various options to ensure appropriate control of the company is maintained, such as in the case where a foreign corporation wishes to establish a domestic presence in the Philippines to conduct business in the local markets and needs to secure and appoint 3 resident Philippine directors. Because of the variability of individual cases, we normally provide our detailed recommendations after consultation with the client, whereby all the relevant considerations are known.

Service Level Agreement

For our engagement we provide our clients with a Service Level Agreement. The Agreement will cover the formation of the new company, including any required amendments to the Articles and formulating any other agreed specific instructions that are required and which will form part of our service to the client

Formation Activity:

The provision of:

- Corporate Secretary
- Treasurer-in-Trust
- Nominee Shareholder(s) Director(s) + T&Cs – (Voting dividends etc)
- Registered Office Address
- Registration of the company with the SEC
- Bank Account opening/account signatories
- Business Registrations (BIR, SSS, Pag-IBIG, Philhealth, Mayor's/Business Permit)

Pending incorporation, the incorporators must already pay for their minimum paid-up subscriptions. The said funds will be held in a bank account in the name of the Treasurer-in-Trust in trust for the incipient corporation ("TIT Account"). Once the corporation is registered, the TIT Account will be turned into a regular account. No transaction can be made from the TIT Account except to return the funds to the contributing shareholders in case of a failure to complete the incorporation, or to transfer the funds to a regular account upon successful incorporation. Additional to the company formation and subsequent maintenance activities, we can provide other services, such as the handling of import/export transactions, and any other BPO/KPO business processes.

Standard Post establishment services include:

- Corporate Secretary
- Treasurer
- Nominee Shareholder and Director
- Registered Office Address
- Account signatories
- Business (Mayor's) Permit (annual renewal)
- Book Keeping and Accounting Services
- Personnel Services (hiring and selection, payroll, compliance reporting)
- Tax filing
- SEC compliance and reporting
- Alien Employment Permit/Work Visa for Ex-pats
- Other BPO/KPO processes and ad-hoc services

Standard Fee Table

Company Registration – One time set up charge	Our Fees	USD3,800.00
Corporate Secretary (First Year)	Our Fees	USD1,400.00
Treasurer-in-Trust (Establishment and first Year)	Our Fees	USD1,400.00
*Nominee Shareholder and Director (Per Year/ Per Individual)	Our Fees	USD2,500.00
*Registered Office Address (First Year)	Our Fees	USD 500.00
Open Bank Accounts and arrange signatories and signing authority limits (One time charge)	Our Fees	USD 900.00
Business Registrations (BIR, SSS, Pag-IBIG, Philhealth) Per Annum	Our Fees	USD1,200.00

- *Note:** 1) Client may appoint their own resident shareholder/director(s)
2) Client may provide their own registered office address
3) For overseas Clients – disbursements for post/ overnight package and miscellaneous add USD500.00

Government Fees: Depending on Minimum Paid-up Capital

Filing Fees	SEC	(see formula herewith)
Documentary Stamp Tax	BIR	0.5% of paid-up
Business Registration Fees (approx)	LGU	PHP50,000.00

Other Costs:

** Share Capital	TIT a/c	PHP2,000,000.00
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**** Note :** Share Capital for different industry segments may differ. The above figure is a common figure and will be confirmed on application.