



Modes of Doing Business in the Philippines for Foreign Investors

A comparative table on foreign business registration in the Philippines: Foreign Branch Office vs. Representative Office vs. Ordinary Stock Corporation vs. One Person Corporation

This article is prepared by and a product of Atty. Kerwin K. Tan, managing partner of **TAN HASSANI & COUNSELS** Law Offices, and is not to be construed as legal advice or create an attorney-client relationship. Copyright ©2014-2021 Kerwin K. Tan. All rights reserved. No portion of this work may be reproduced without our written consent.

A foreign investor (whether a foreign individual or a foreign company) may establish any of the following:

- 1) Branch office;
- 2) Representative office; or
- 3) Corporation
 - 3.1 Ordinary Stock Corporation (or “OSC”) of which the foreign investor, whether a foreign company or foreign person are the stockholders (through incorporation process);
 - 3.2 One Person Corporation (or “OPC”), where a foreign person is the sole stockholder and director

Quick Differentiation:

In the Philippines, there are several types of business registrations allowed for foreigners by the Philippine Securities & Exchange Commission (SEC). Below is a write up on modes of doing business in the Philippines which includes a comprehensive description of the requirements of each. Basically, in the write up you will read about:

1. Branch Office — this means your foreign company will be directly *licensed* SEC to do business in the Philippines, and **can earn and invoice** from the Philippines (meaning the Branch Office can bill local and foreign clients). This means you do not have to form a new and separate company in the Philippines.
2. Representative Office — this is similar to a Branch Office, i.e. your foreign company is *licensed* to do business in the Philippines, but the major difference is that a Rep Office



cannot invoice from the Philippines and **cannot** earn income from the Philippines. Also, the types of activities that a Representative Office can do in the Philippines are limited (read more below).

3. Corporation (whether OSC or OPC) — this means you incorporate a new corporation in the Philippines. You (in your personal capacity) or your foreign company can own shares of this corporation (some would then call it a subsidiary).

We also provide, through our affiliate and partner accounting and tax compliance firm, your accounting, tax compliance, and payroll requirements. We work closely and seamlessly such that you will have a team of professionals (lawyers, accountants, payroll specialists) looking out for your Philippine operations.

Hereunder, in tabular form, are the distinctions and requirements of each company type registration:

	BRANCH OFFICE	REPRESENTATIVE OFFICE	OSC Type CORPORATION	OPC Type CORPORATION
As to foreign parent company	Requires a foreign parent company existing in a foreign country, subject to business-type restrictions reserved for Filipinos.	Requires a foreign parent company existing in a foreign country	Stockholder may be either foreign individuals and/or foreign companies, subject to business-type activity restrictions reserved for Filipinos.	Stockholder can only be one (1) person-individual (either foreigner or Filipino), subject to business-type activity restrictions reserved for Filipinos. Special Notes: 1. The stockholder can only be a natural person; thus, a company cannot be a sole stockholder of an OPC



**TAN HASSANI
& COUNSELS**
L A W O F F I C E S

Unit 3102 Antel Global Corporate Center
#3 Julia Vargas Avenue, Ortigas Center
Pasig City, Philippines 1605

(+632) 881 5324

(+63999) 721 3291

www.THcounsels.ph

admin@THcounsels.ph

				2. There is a requirement to designate 2 nominees who will take over the business in case of death or incapacity of the sole stockholder (this is the “back up” role of the 2 nominees)
As to nature of business	Limited to the same business as the parent company but may be allowed to be “related” to the type of business of the home office.	A Rep Office is that it is a <u>limited purpose office</u> of a foreign company in the Philippines. It <u>cannot</u> derive income from doing business in the Philippines and it must be fully subsidized by the foreign company that it represents. See FAQ below for the limited purposes a Rep Office can do (mostly, limited to back office work)	May be different from the parent company	Subject only to limitation on certain business which require Filipino ownership (i.e. nationalized industries)
As to minimum business capitalization	Minimum US\$200,000 (equivalent in Philippine Pesos) paid-up capitalization If the business of the Branch Office is to <u>export at least 60%</u> of its product/service from the Philippines to foreign countries,	Minimum US\$30,000 (equivalent in Philippine Pesos) paid-up capitalization	<u>General Rule:</u> If <i>more</i> than 40% stock of the corporation is owned by foreigners, minimum US\$200,000 (equivalent in Philippine Pesos) paid-up capitalization. <u>Exceptions:</u>	<u>General Rule:</u> As this is considered 100% foreign owned (seeing as there is only a single foreign person owner), minimum US\$200,000 (equivalent in Philippine Pesos) paid-up capitalization.



	there is no minimum US\$200,000 (please see below definition of export)		<ol style="list-style-type: none"> 1) If 40% or less foreign ownership, required capitalization would depend on business-type. 2) If the business of the corporation is to <u>export at least 60%</u> of its product/service from the Philippines to foreign countries, there is no minimum US\$200,000 even if more than 40% foreign owned 	<p><u>Exceptions:</u></p> <p>If the business of the corporation is to <u>export at least 60%</u> of its product/service from the Philippines to foreign countries, there is no minimum US\$200,000</p>
As to business legal personality	Is not considered a separate business from the parent company, thus, liability of Branch Office is the liability of the parent company	Is not considered a separate business from the parent company, thus, liability of Rep Office is the liability of the parent company	Generally, is considered a separate business from the parent company, thus, liabilities of the subsidiary-corporation are its own (i.e. not attributable to the parent company)	Generally, is considered a separate business from the sole stockholder, thus, liabilities of the OPC are its own (i.e. not attributable to the sole stockholder)
As to officers	Requires only 1 Philippine-resident agent	Requires only 1 Philippine-resident agent	Requires at least 2 to act as Incorporators of the OSC. The Incorporator are the persons and/or companies that apply to start registration. (Note: An individual who signs the Articles of	Requires only one (1) person to start registration and act as sole stockholder and sole director and President/CEO



			<p>Incorporation on behalf of an Incorporator that is a company may not be named as a director, unless said individual is also an owner of at least 1 share of stock of the OSC being formed.)</p> <p>Requires at least 3 corporate officers:</p> <ol style="list-style-type: none"> 1. President 2. Corporate Secretary (must be Filipino-resident) 3. Treasurer (must be resident) 	<p>Requires at least 2 other corporate officers:</p> <ol style="list-style-type: none"> 1. Corporate Secretary (must be Filipino citizen-resident) and cannot be the President 2. Treasurer CFO (must be Philippine resident) and can be the President <p>The role of Corporate Secretary and Treasurer can be handled by the same person if assumed by another person.</p>
As to security deposit	Required to deposit securities with the Philippine Securities & Exchange Commission ("SEC") with actual market value of at least Philippine Pesos 500,000.00 (approx. US\$10,000). Annual additional deposit may be required depending on gross income.	None	None	<p>IF the sole stockholder is NOT the treasurer, there is no security bond requirement.</p> <p>IF the sole stockholder is also occupying the position of Treasurer (meaning, the sole stockholder is the sole director, the president, and the treasurer), there is a bond requirement.</p>
As to documents required to be	Special documents required aside from application form: <ol style="list-style-type: none">1. Board resolution that (a)	Special documents required aside from application form: <ol style="list-style-type: none">1. Board resolution that (a)	Standard documents only: <ol style="list-style-type: none">1. Corporate name reservation;2. Articles of Incorporation and By-	Standard documents only: <ol style="list-style-type: none">1. Corporate name reservation;2. Articles of Incorporation



<p>filed for registration</p>	<p>authorizes the establishment of branch office; (b) names the resident agent 2. Parent company latest financial statements as of a date not exceeding one (1) year immediately prior to the application, certified by an independent CPA of the home country; 3. Certified copies of the parent company formation or registration documents in home country, with an English translation if in foreign language; 4. Philippine bank certificate on min. capitalization (even if export enterprise); 5. Resident Agent's acceptance of appointment</p>	<p>authorizes the establishment of branch office; (b) names the resident agent 2. Parent company latest financial statements as of a date not exceeding one (1) year immediately prior to the application, certified by an independent CPA of the home country; 3. Certified copies of the parent company formation or registration documents in home country, with an English translation if in foreign language; 4. Philippine bank certificate on min. capitalization; 5. Resident Agent's acceptance of appointment</p>	<p>laws; If the Incorporator is a company, a certification that the company's directors authorized the incorporation of the OSC and naming the person authorized to sign on behalf of the company Incorporator.</p>	<p>3. Nominee Acceptance Form</p>
<p>As to registration timelines *conservative estimates*</p>	<p>Apostille Phase: All foreign-issued documents required to be filed with the SEC requires an apostille where issued. As we are not sure of the timeline for an apostille in your home country, please note that this will add to the timeline. Note: Authentication may be</p>	<p>Apostille Phase: All foreign-issued documents required to be filed with the SEC requires an apostille. As we are not sure of the timeline for an apostille in your home country, please note that this will add to the timeline. Note: Authentication may be required if the country where the company</p>	<p>Apostille Phase: The director's certificate authorizing the incorporation of the OSC needs to be apostilled if issued outside the Philippines. Other documents can be signed in the Philippines, thus, no apostille required. Only if the documents are signed outside the Philippines will apostille be</p>	<p>No Apostille Phase: Documents can be signed in the Philippines, thus, no authentication required. Only if the documents are signed outside the Philippines will apostille be required. Note: Authentication may be required if the country where the company</p>



	<p>required if the country where the company licensing its Branch Office is registered, is not part of the Hague Convention on the Apostille.</p> <p>SEC Phase:</p> <p>Upon filing of complete documents with the SEC, around 8-10 weeks.</p>	<p>licensing its Branch Office is registered, is not part of the Hague Convention on the Apostille.</p> <p>SEC Phase:</p> <p>Upon filing of complete documents with the SEC, around 8-10 weeks.</p>	<p>required.</p> <p>Note: Authentication may be required if the country where the company licensing its OSC is registered, is not part of the Hague Convention on the Apostille.</p> <p>SEC Phase:</p> <p>Upon filing of complete documents with the SEC, around 3-4 weeks.</p>	<p>licensing its OPC is registered, is not part of the Hague Convention on the Apostille.</p> <p>SEC Phase:</p> <p>Upon filing of complete documents with the SEC, around 3 weeks.</p>
--	---	---	---	--

- The foregoing discusses the general rule and may be subject to exceptions under law, which are applicable on a case-to-case basis.

FREQUENTLY ASKED QUESTIONS

1. BRANCH OFFICE

Q. I don't have a company abroad. Can I still do branch office registration?

A. Unfortunately, no. The branch office is, as the name implies, the Philippine branch of a foreign company outside the Philippines and does the same business as the company abroad. The company abroad is what we call the "Parent Company."

Q. Are there any restrictions for foreigners?

A. There are some businesses which are reserved for Filipinos only. We can discuss them with you when you come in for a consultation.



**TAN HASSANI
& COUNSELS**
L A W O F F I C E S

Unit 3102 Antel Global Corporate Center
#3 Julia Vargas Avenue, Ortigas Center
Pasig City, Philippines 1605

(+632) 881 5324

(+63999) 721 3291

www.THcounsels.ph

admin@THcounsels.ph

Q. Is the US\$200,000 really required?

A. Yes, that is a mandatory requirement by law, the rationale being that the Philippine Government wants to ensure that only those with sufficient capitalization to do business will be allowed. However, and as an exception, if you are a manufacturing/processing or a service company (e.g. business process outsourcing) that will **export** products made in, or service rendered from, the Philippines, (what we call "**export enterprise**") and your Branch Office generates gross income at least 60% from outside the Philippines, the minimum capital is just Philippine Pesos 5,000 (approx. US\$120) start up capital (although we generally suggest an amount that is reasonable as an initial working capital for a year to establish credibility with the SEC).

Q. How do I pay the US\$200,000?

A. You will have to open a bank account in the Philippines (of your choice, by yourself or staff – or you may avail of our banking assistance) and remit the money from your bank abroad. The bank will then issue a certification on the money remitted and this will be filed with the Philippine Securities & Exchange Commission.

Q. What happens to the US\$200,000

A. During branch office registration process with the Philippine Securities & Exchange Commission, the capital will stay in the bank and once you are issued a license as a branch office, you may then use the US\$200,000 for your business operations in the Philippines.

Q. So the US\$200,000 is not registration or filing fee?

A. No, and you may use it in your Philippine business operations once you are licensed.

Q. What is the security deposit for?

A. That is required by the Philippine Securities & Exchange Commission to ensure that the obligations of the branch office are paid, since the parent company is abroad and outside the jurisdiction of the Philippines. It is similar to security deposit given when leasing office space. It will be returned when the branch office closes.

Q. So what do we do to start a branch office?

A. Upon signing an engagement letter with us, we will guide you through the process.

Q. What is the process?

A. Here are the requirements by law:

1. You will need a Philippine resident individual who will act as your resident agent in the Philippines. If you are residing in the Philippines, you can be the resident agent.

*This document may be confidential.
If you are not the intended recipient, please notify us immediately.*



**TAN HASSANI
& COUNSELS**
L A W O F F I C E S

Unit 3102 Antel Global Corporate Center
#3 Julia Vargas Avenue, Ortigas Center
Pasig City, Philippines 1605

(+632) 881 5324

(+63999) 721 3291

www.THcounsels.ph

admin@THcounsels.ph

2. Please prepare the following documents of the Parent Company:

- a. Board resolution that (a) authorizes the establishment of branch office; (b) names the resident agent (we suggest to use our version which we have filed in the past);
- b. Latest financial statements (we will check certain legal compliance on financial ratios);
- c. Certified copies of the parent company formation or registration documents in home country, with an English translation if in foreign language;
- d. Bank Certificate of Inward Remittance of the Initial Paid Up Capital

These Parent Company documents if issued outside the Philippines must be apostille'd in that country (please inquire with your foreign affairs department on this procedure). In case your country is not part of the Hague Convention on the Apostille, the documents issued from that non-member country needs to be authenticated at the Philippine Embassy/Consulate.

3. While waiting for the apostille, you can prepare the following:

- a. Philippine bank certificate on the remittance of US\$200,000. You will have to open a Philippine bank account;
- b. Resident Agent's acceptance of appointment (we can assist you with this document)

4. Fill out our *Client Information In-take Sheet* so we can prepare your branch office application, among requirements of which is the proposed Philippine address of the branch office. The address required is an exact address where the Philippine Securities & Exchange Commission can send notices and letters.

Q. What happens next after we prepare all the documents?

A. We will then file all the documents for you at the Philippine Securities & Exchange Commission. We will coordinate with the Philippine Securities & Exchange Commission on your behalf to answer their queries and clarifications. Estimated timeline to approval would be on a case to case basis depending on the completeness of your documents.

Q. What are the costs to register a Branch Office?

A. The SEC application fee is computed as Name Reservation Fee + Filing Fee + Legal Research Fee + Foreign Investment Act Fee (to do business in the Philippines); where:

Name Reservation Fee = Philippine Pesos 140

Filing Fee = 1% of the actual inward remittance to the Philippine bank account

LRF = 1% of the Filing Fee

FIA Fee = Philippine Pesos 3,000

Q. What are the other costs to register a Branch Office?

*This document may be confidential.
If you are not the intended recipient, please notify us immediately.*



**TAN HASSANI
& COUNSELS**
L A W O F F I C E S

Unit 3102 Antel Global Corporate Center
#3 Julia Vargas Avenue, Ortigas Center
Pasig City, Philippines 1605

(+632) 881 5324

(+63999) 721 3291

www.THcounsels.ph

admin@THcounsels.ph

A.

Your resident agent may have a fee for acting as such. This depends on your agreement.

If you wish for us to accompany you to open a bank account in the Philippines, we may charge per scheduled visit to the bank.

You will need a Philippine office address. This may be through a lease or subscription to a virtual office.

After registering with the Philippine Securities & Exchange Commission, the branch office would also need to register with the Bureau of Internal Revenue (the tax government agency) and secure a business permit from city hall. These will also have their own taxes and fees.

The above fees are indicative and may change without prior notice.

2. REPRESENTATIVE OFFICE

Q. It really seems like it's similar to a Branch Office. What then is the main difference?

A. Yes, it does seem like it is a Branch Office but there is one major distinction: a Rep Office cannot earn income from the Philippines.

The activities of a Rep Office are limited to the promotion and dissemination of information about the products and/or services of the foreign company that it represents. Although it can engage in products and/or services promotion, it cannot sign contracts on behalf of the foreign company it represents. Such contracts must be signed directly between the foreign company and the relevant counterparty.

A Rep Office may perform the following activities:

- quality control
- act as a message center or a communication center between interested parties and its head office;
- promote products presently being distributed in the Philippines;
- provide and facilitate better communication and contact between its head office and affiliated companies on the one hand and present and future customers on the other;



**TAN HASSANI
& COUNSELS**
L A W O F F I C E S

Unit 3102 Antel Global Corporate Center
#3 Julia Vargas Avenue, Ortigas Center
Pasig City, Philippines 1605

(+632) 881 5324

(+63999) 721 3291

www.THcounsels.ph

admin@THcounsels.ph

- conduct surveys and studies on the market, economic, and financial conditions in the Philippines; and
- attend to the needs of end-users of its head office's products/services in the Philippines, advise them on the proper care and maintenance of their equipment, and communicate to its head office problems that call for consultations.

Therefore, with these limited functions, usually a Rep Office functions more of a **back office** of a foreign company who wish to take advantage of the excellent educated work force in the Philippines with cost effective labor costs.

Q. I don't have a company abroad. Can I still do rep office registration?

A. Unfortunately, no. The rep office is, as the name implies, the Philippine representative office of a company abroad and merely promotes or assist in administrative and communication functions of the company abroad. The company abroad is what we call the "Parent Company."

Q. Is the US\$30,000 really required?

A. Yes, that is a mandatory requirement by law, the rationale being that the Philippine Government wants to ensure that only those with sufficient capitalization to hire Filipinos will be allowed.

Q. How do I pay the US\$30,000?

A. You will have to open a bank account in the Philippines (of your choice, by yourself or staff – or we can assist you through our partner local bank) and transmit the money from your bank abroad. The bank will then issue a certification on the money remitted and this will be filed with the Philippine Securities & Exchange Commission.

Q. What happens to the US\$30,000

A. During rep office registration process with the Philippine Securities & Exchange Commission, the capital will stay in the bank and once you are issued a license as a representative office, you may then use the US\$30,000 for your operations in the Philippines. It cannot be withdrawn arbitrarily but will be subject to Philippine accounting and tax rules.

Q. So the US\$30,000 is not registration or filing fee?

A. No, and you may use it in your Philippine operations once you are licensed.

Q. So what do we do to start a rep office?

A. Upon signing an engagement letter with us, we will guide you through the process.



**TAN HASSANI
& COUNSELS**
L A W O F F I C E S

Unit 3102 Antel Global Corporate Center
#3 Julia Vargas Avenue, Ortigas Center
Pasig City, Philippines 1605

(+632) 881 5324

(+63999) 721 3291

www.THcounsels.ph

admin@THcounsels.ph

Q. What is the process?

A. Here are the requirements by law:

1. You will need a Philippine resident individual who will act as your agent in the Philippines. If you are residing in the Philippines, you can be the resident agent.
2. Please prepare the following documents of the Parent Company:
 - a. Board resolution that (a) authorizes the establishment of rep office; (b) names the resident agent (we suggest to use our version which we have filed in the past);
 - b. Latest financial statements (we will check certain legal compliance on financial ratios);
 - c. Certified copies of the parent company formation or registration documents in home country, with an English translation if in foreign language;

These Parent Company documents if issued outside the Philippines must be apostille'd in that country (please inquire with your foreign affairs department on this procedure). In case your country is not part of the Hague Convention on the Apostille, the documents issued from that non-member country needs to be authenticated at the Philippine Embassy/Consulate..

3. While waiting for the Philippine Embassy/Consulate, you can prepare the following:

- a. Philippine bank certificate on the remittance of US\$30,000. You will have to open a Philippine bank account (or you can avail of our banking assistance);
- b. Resident Agent's acceptance of appointment (we can assist you with this document)

4. Fill out our *Client Information In-take Sheet* so we can prepare your rep office application, among requirements of which is the proposed Philippine address of the rep office. The address required is an exact address where the Philippine Securities & Exchange Commission can send notices and letters.

Q. What happens next after we prepare all the documents?

A. We will then file all the documents for you at the Philippine Securities & Exchange Commission. We will coordinate with the Philippine Securities & Exchange Commission on your behalf to answer their queries and clarifications. Estimated timeline to approval would be on a case to case basis depending on the completeness of your documents.

Q. What are the costs to register a Rep Office?

A. The SEC application fee is computed as Name Reservation Fee + Filing Fee + Legal Research Fee; where:

Name Reservation Fee = Philippine Pesos 140

Filing Fee = 1/10 of 1% of the actual inward remittance to the Philippine bank account

LRF = 1% of the Filing Fee

*This document may be confidential.
If you are not the intended recipient, please notify us immediately.*



**TAN HASSANI
& COUNSELS**
L A W O F F I C E S

Unit 3102 Antel Global Corporate Center
#3 Julia Vargas Avenue, Ortigas Center
Pasig City, Philippines 1605

(+632) 881 5324

(+63999) 721 3291

www.THcounsels.ph

admin@THcounsels.ph

Q. What are the other costs to register a Rep Office?

A.

Your resident agent may have a fee for acting as such. This depends on your agreement.

If you wish for us to accompany you to open a bank account in the Philippines, we may charge per scheduled visit to the bank.

You will need a Philippine office address. This may be through a lease or subscription to a virtual office.

After registering with the Philippine Securities & Exchange Commission, the representative office would also need to register with the Bureau of Internal Revenue (the tax government agency) and secure a business permit from city hall. These will also have their own taxes and fees.

The above fees are indicative and may change without prior notice.

3. PHILIPPINE CORPORATION (OSC type)

Q. What is the difference between a branch office and a corporation?

A. The main difference is that the branch office must have a parent company while the corporation need not have a parent company. At a minimum, at least 2 Incorporators are required to start a corporation. Incorporators are the persons and/or companies that incorporate a corporation.

Q. Why is there a difference between *more than 40%* and *40% or less* stocks held by foreigners?

A. Under Philippine laws, we have the 60-40 Rule. A corporation that is *more* than 40% (i.e. 41% and up) owned by foreigners is considered a foreign corporation already. That is why it has the minimum US\$200,000 capitalization requirements similar to the branch office of a foreign company. So if you wish to own more than 40%, or even 100% of a corporation, there is that minimum capitalization requirement.



**TAN HASSANI
& COUNSELS**
L A W O F F I C E S

Unit 3102 Antel Global Corporate Center
#3 Julia Vargas Avenue, Ortigas Center
Pasig City, Philippines 1605

(+632) 881 5324

(+63999) 721 3291

www.THcounsels.ph

admin@THcounsels.ph

If 40% or less is foreign-owned (i.e. 1% to 40% max), say you have Filipino business partners who can hold the 60% while you hold 40%, it is considered a Philippine local company and there is **no** US\$200,000 requirement. However, there are some businesses which require different capitalization requirement as mandated by law. We can discuss this with you when you come in for a consultation. It depends on your business activities.

Q. If the corporation is *more than 40%* owned by foreigner, it is considered a foreign corporation. Is there any restrictions for foreigners?

A. There are some businesses which are reserved for Filipinos only. We can discuss them with you when you come in for a consultation.

Q. Is the US\$200,000 really required?

A. Yes, that is a mandatory requirement by law. However, if you are a manufacturing/processing or a service company (e.g. business process outsourcing) that will export or generate income at least 60% of the products made in, or service rendered from, the Philippines, (what we call "export enterprise") the minimum is just Philippine Pesos 5,000 (approx. US\$120) start up capital (although we generally suggest an amount that is reasonable as an initial working capital for a year to establish credibility with the SEC). Also, if you have Filipino business partners, they can hold the 60% and there will be no US\$200,000 requirement.

Q. How do I pay the US\$200,000?

A. You will have to open a bank account in the Philippines (of your choice, by yourself or staff) and transmit the money from your bank abroad. Once in the Philippine bank account, it will be converted to Philippine Peso equivalent. The bank will then issue a certification on the money remitted and this will be filed with the Philippine Securities & Exchange Commission. Note however, that mostly, the SEC already waived this requirement but will be subject to a post-incorporation audit.

Q. What happens to the US\$200,000

A. During incorporation process with the Philippine Securities & Exchange Commission, the capital will stay in the bank and once you are issued a Certificate of Registration, you may then use the US\$200,000 for your business operations in the Philippines.

Q. So the US\$200,000 is not registration or filing fee?

A. No, and you may use it in your Philippine business operations once you are registered.

Q. So what do we do to start with incorporation?

A. Upon signing an engagement letter with us, we will guide you through the process.

Q. What is the process?

*This document may be confidential.
If you are not the intended recipient, please notify us immediately.*



**TAN HASSANI
& COUNSELS**
L A W O F F I C E S

Unit 3102 Antel Global Corporate Center
#3 Julia Vargas Avenue, Ortigas Center
Pasig City, Philippines 1605

(+632) 881 5324

(+63999) 721 3291

www.THcounsels.ph

admin@THcounsels.ph

A. Here are the requirements by law (as will be indicated in the documents to be filed):

1. At least 2 Incorporators (comprising of persons and/or companies) are required to act as incorporators, i.e. people who will sign the documents, one of whom will be acting as initial treasurer. The initial incorporators will also be the initial stockholders and directors of the company (which can be changed later on).

Q. I do not have at least 2 Incorporators and I do not have business partners

A. Please ask us for assistance regarding this matter. But this is a mandatory requirement, required by law. You may need nominee Incorporator services to act as Incorporator.

2. An exact address for the corporation

Q. Where can I get an office address?

A. You can use your house, condominium, or lease an office space, or use a virtual office (subject to documentary evidence of use)

3. Company name of your choice (subject to availability)

4. Philippine bank account (may not necessarily be required and we will advise you on this later on)

5. Fill out our *Client Information In-take Sheet* so we can prepare your registration documents.

Q. What happens next after we prepare all the documents?

A. We will then file all the documents for you at the Philippine Securities & Exchange Commission. We will coordinate with the Philippine Securities & Exchange Commission on your behalf to answer their queries and clarifications. Estimated timeline to approval would be on a case to case basis depending on the completeness of your documents.

Q. What are the costs to register a corporation?

A. The SEC application fee is computed as Name Reservation Fee + Filing Fee + Legal Research Fee + By-Laws Fee; where:

Name Reservation Fee = Philippine Pesos 140

Filing Fee = 1/5 of 1% of the authorized capital stock

LRF = 1% of the Filing Fee

By-Laws Fee = Philippine Pesos 1,000

Each corporation also requires a Stock & Transfer Book ("STB") for registering official stockholders. An STB with registration = Philippine Pesos 470



**TAN HASSANI
& COUNSELS**
L A W O F F I C E S

Unit 3102 Antel Global Corporate Center
#3 Julia Vargas Avenue, Ortigas Center
Pasig City, Philippines 1605

(+632) 881 5324

(+63999) 721 3291

www.THcounsels.ph

admin@THcounsels.ph

+ Foreign Investment Act Fee (to do business in the Philippines) may be applicable if more than 40% of the stock is owned by foreigner = Philippine Pesos 3,000

Q. What are the other costs to register a corporation?

A.

Your other incorporators/directors may have a fee for acting as such. This depends on your agreement.

If you wish for us to accompany you to open a bank account in the Philippines, we may charge per scheduled visit to the bank.

You will need a Philippine office address. This may be through a lease or subscription to a virtual office.

After registering with the Philippine Securities & Exchange Commission, the company would also need to register with the Bureau of Internal Revenue (the tax government agency) and secure a business permit from city hall. These will also have their own taxes and fees.

The above fees are indicative and may change without prior notice.

Q. I can't seem to make up my mind between OSC and OPC. Can I convert it later on to one or the other?

A. Yes, an OSC can be converted to an OPC later on, subject to an application filed at SEC and other requirements as may be applicable.

4. PHILIPPINE CORPORATION (OPC type)

Q. What is the difference between an OSC and an OPC?

A. The main difference is that an OSC requires at least 2 Incorporators to register an OSC, while an OPC only requires 1 person to act as stockholder and sole director. But an OSC may have a corporate stockholder as owner while an OPC can only have a natural person to act as sole stockholder.

Q. Since an OPC that is foreign owned by 1 foreigner, it is considered a foreign corporation. Is there any restrictions for foreigners?

A. There are some businesses which are reserved for Filipinos only. We can discuss them with you when you come in for a consultation.



**TAN HASSANI
& COUNSELS**
L A W O F F I C E S

Unit 3102 Antel Global Corporate Center
#3 Julia Vargas Avenue, Ortigas Center
Pasig City, Philippines 1605

(+632) 881 5324

(+63999) 721 3291

www.THcounsels.ph

admin@THcounsels.ph

Q. What is the minimum paid up capital for a foreigner OPC?

A. A minimum of US\$200,000 capitalization is required as a general rule.

Q. Is the US\$200,000 really required?

A. Yes, that is a mandatory requirement by law since the OPC would be considered 100% foreign owned. However, if you are a manufacturing/processing or a service company (e.g. business process outsourcing) that will export or generate income at least 60% of the products made in, or service rendered from, the Philippines, (what we call “**export enterprise**”) there is no minimum paid up capital at incorporation.

Q. How do I pay the US\$200,000?

A. You will have to open a bank account in the Philippines (of your choice, by yourself or staff) and transmit the money from your bank abroad. Once in the Philippine bank account, it will be converted to Philippine Peso equivalent. The bank will then issue a certification on the money remitted and this will be filed with the Philippine Securities & Exchange Commission. Note however, that mostly, the SEC already waived this requirement but will be subject to a post-incorporation audit.

Q. What happens to the US\$200,000

A. During incorporation process with the Philippine Securities & Exchange Commission, the capital will stay in the bank and once you are issued a Certificate of Registration, you may then use the US\$200,000 for your business operations in the Philippines.

Q. So the US\$200,000 is not registration or filing fee?

A. No, and you may use it in your Philippine business operations once you are registered.

Q. So what do we do to start with incorporation?

A. Upon signing an engagement letter with us, we will guide you through the process.

Q. What is the process?

A. Here are the requirements by law (as will be indicated in the documents to be filed):

1. Only 1 person to act as sole stockholder and director
2. Two (2) persons to act as nominees (in case of the death or incapacity of the sole stockholder)

*This document may be confidential.
If you are not the intended recipient, please notify us immediately.*



3. An exact address for the corporation

Q. Where can I get an office address?

A. You can use your house, condominium, or lease an office space, or use a virtual office (subject to documentary evidence of use)

4. Company name of your choice (subject to availability) which should end in "OPC" e.g. ABC Manufacturing OPC

5. Philippine bank account (may not necessarily be required and we will advise you on this later on)

6. Fill out our *Client Information In-take Sheet* so we can prepare your registration documents.

Note: the treasurer position is not required for purposes of incorporation. Rather, it is a post-incorporation requirement.

Q. What happens next after we prepare all the documents?

A. We will then file all the documents for you at the Philippine Securities & Exchange Commission. We will coordinate with the Philippine Securities & Exchange Commission on your behalf to answer their queries and clarifications. Estimated timeline to approval would be on a case to case basis depending on the completeness of your documents.

Q. What are the costs to register a corporation?

A. The SEC application fee is computed as Name Reservation Fee + Filing Fee + Legal Research Fee; where:

Name Reservation Fee = Philippine Pesos 140

Filing Fee = 1/5 of 1% of the authorized capital stock

LRF = 1% of the Filing Fee

+ Foreign Investment Act Fee (to do business in the Philippines) may be applicable if more than 40% of the stock is owned by foreigner = Philippine Pesos 3,000

Q. What are the other costs to register a corporation?

A.

Your other officers may have a fee for acting as such. This depends on your agreement.



**TAN HASSANI
& COUNSELS**
L A W O F F I C E S

Unit 3102 Antel Global Corporate Center
#3 Julia Vargas Avenue, Ortigas Center
Pasig City, Philippines 1605

(+632) 881 5324

(+63999) 721 3291

www.THcounsels.ph

admin@THcounsels.ph

If you wish for us to accompany you to open a bank account in the Philippines, we may charge per scheduled visit to the bank.

You will need a Philippine office address. This may be through a lease or subscription to a virtual office.

After registering with the Philippine Securities & Exchange Commission, the company would also need to register with the Bureau of Internal Revenue (the tax government agency) and secure a business permit from city hall. These will also have their own taxes and fees.

The above fees are indicative and may change without prior notice.

Q. I can't seem to make up my mind between OSC and OPC. Can I convert it later on to one or the other?

A. Yes, an OPC can be converted to an OSC later on, subject to an application filed at SEC and other requirements as may be applicable.

Ready to do business in the Philippines?

For scheduling a free 30 minutes consultation on business registration, please directly email our our Kerwin Tan, at Kerwin.Tan@THcounsels.ph for scheduling. He is available to meet at our office or via online meeting (e.g. Zoom, Meet, Teams, Skype). You may schedule an in-person meeting or a teleconference. This may change without prior notice due to unforeseen circumstances.