

# Doing Business 2010

## Philippines

COMPARING REGULATION IN 183 ECONOMIES



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# Introduction

*Doing Business 2010: Reforming Through Difficult Times* is the seventh in a series of annual reports investigating regulations that enhance business activity and those that constrain it. Doing Business presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 10 stages of a business's life are measured: starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2010: Reforming Through Difficult Times* are current as of June 1, 2009\*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and The Caribbean, 27 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 19 in the Middle East and North Africa and 8 in South Asia, as well as 27 OECD high-income economies as benchmarks.

The following pages present the summary Doing Business indicators for Philippines. The data used for this country profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator. The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2010: Reforming Through Difficult Times* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website ([www.doingbusiness.org](http://www.doingbusiness.org)).

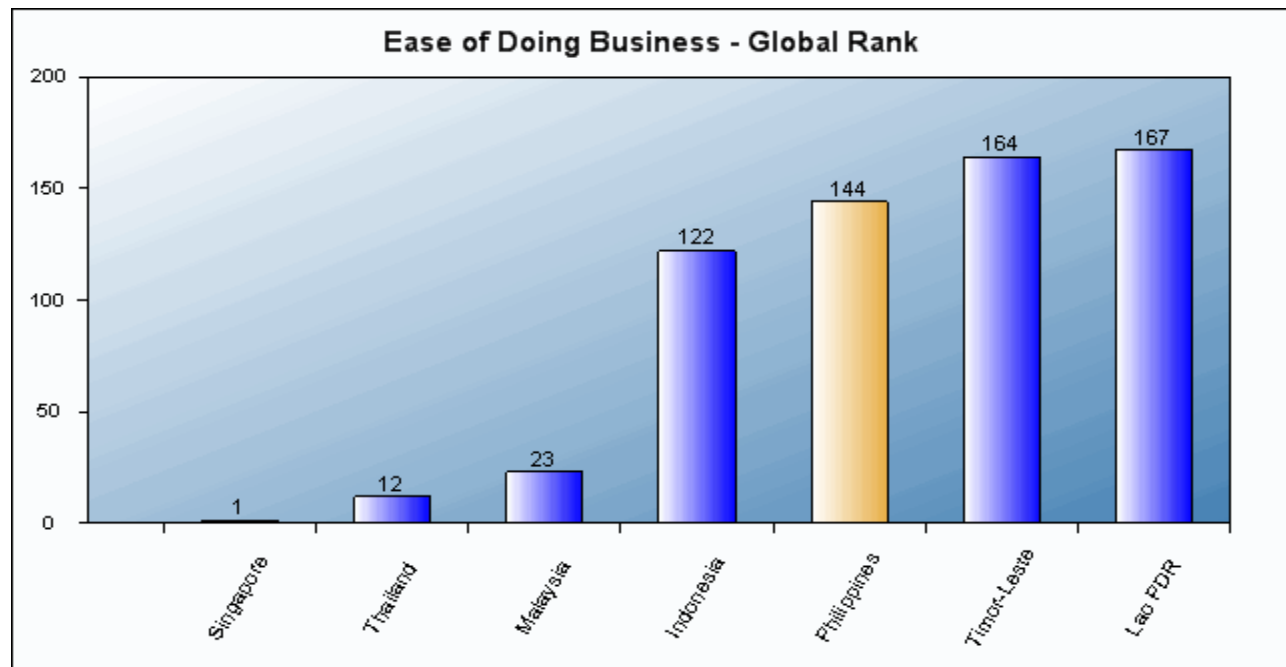
\* Except for the Paying Taxes indicator that refers to the period January to December of 2008.

*Note: Doing Business 2008 and Doing Business 2009 data and rankings have been recalculated to reflect changes to the methodology and the addition of new countries (in the case of the rankings).*

## Economy Rankings - Ease of Doing Business

Philippines is ranked 144 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

### Philippines - Compared to global good practice economy as well as selected economies:



### Philippines's ranking in Doing Business 2010

Rank	Doing Business 2010
Ease of Doing Business	144
Starting a Business	162
Dealing with Construction Permits	111
Employing Workers	115
Registering Property	102
Getting Credit	127
Protecting Investors	132
Paying Taxes	135
Trading Across Borders	68
Enforcing Contracts	118
Closing a Business	153

## Summary of Indicators - Philippines

<b>Starting a Business</b>	Procedures (number)	15
	Time (days)	52
	Cost (% of income per capita)	28.2
	Min. capital (% of income per capita)	5.5
<b>Dealing with Construction Permits</b>	Procedures (number)	24
	Time (days)	203
	Cost (% of income per capita)	81.7
<b>Employing Workers</b>	Difficulty of hiring index (0-100)	56
	Rigidity of hours index (0-100)	0
	Difficulty of redundancy index (0-10)	30
	Rigidity of employment index (0-100)	29
	Redundancy costs (weeks of salary)	91
<b>Registering Property</b>	Procedures (number)	8
	Time (days)	33
	Cost (% of property value)	4.3
<b>Getting Credit</b>	Strength of legal rights index (0-10)	3
	Depth of credit information index (0-6)	3
	Public registry coverage (% of adults)	0.0
	Private bureau coverage (% of adults)	6.1
<b>Protecting Investors</b>	Extent of disclosure index (0-10)	2
	Extent of director liability index (0-10)	2
	Ease of shareholder suits index (0-10)	8
	Strength of investor protection index (0-10)	4.0
<b>Paying Taxes</b>	Payments (number per year)	47
	Time (hours per year)	195
	Profit tax (%)	24.9
	Labor tax and contributions (%)	10.3
	Other taxes (%)	14.2
	Total tax rate (% profit)	49.4

<b>Trading Across Borders</b>	Documents to export (number)	8
	Time to export (days)	16
	Cost to export (US\$ per container)	816
	Documents to import (number)	8
	Time to import (days)	16
	Cost to import (US\$ per container)	819
<b>Enforcing Contracts</b>	Procedures (number)	37
	Time (days)	842
	Cost (% of claim)	26.0
<b>Closing a Business</b>	Recovery rate (cents on the dollar)	4.4
	Time (years)	5.7
	Cost (% of estate)	38

# Starting a Business

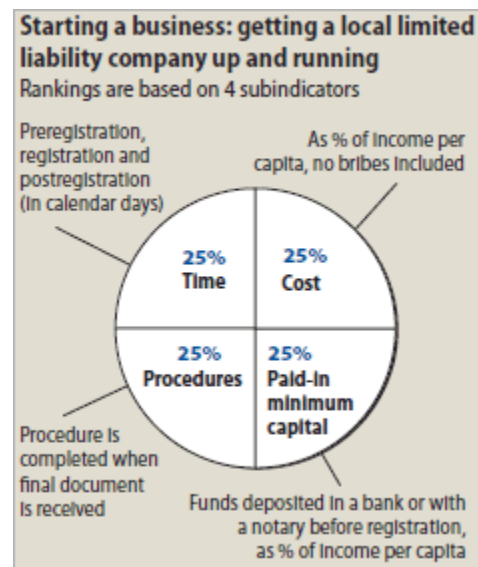
When entrepreneurs draw up a business plan and try to get under way, the first hurdles they face are the procedures required to incorporate and register the new firm before they can legally operate. Economies differ greatly in how they regulate the entry of new businesses. In some the process is straightforward and affordable. In others the procedures are so burdensome that entrepreneurs may have to bribe officials to speed up the process or may decide to run their business informally.

Analysis shows that burdensome entry regulations do not increase the quality of products, make work safer or reduce pollution. Instead, they constrain private investment; push more people into the informal economy; increase consumer prices and fuel corruption.

## Methodology

The data on starting a business is based on a survey and research investigating the procedures that a standard small to medium-size company needs to complete to start operations legally. This includes obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. Procedures are recorded only where interaction is required with an external party. It is assumed that the founders complete all procedures themselves unless professional services (such as by a notary or lawyer) are required by law. Voluntary procedures are not counted, nor are industry-specific requirements and utility hook-ups. Lawful shortcuts are counted.

It is assumed that all information is readily available to the entrepreneur, that there has been no prior contact with officials and that all government and nongovernment entities involved in the process function without corruption.



## Survey Case Study

*The business:*

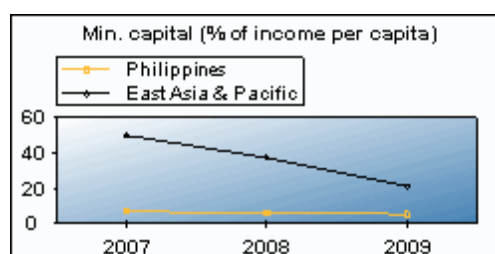
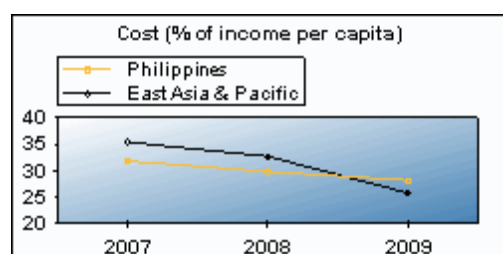
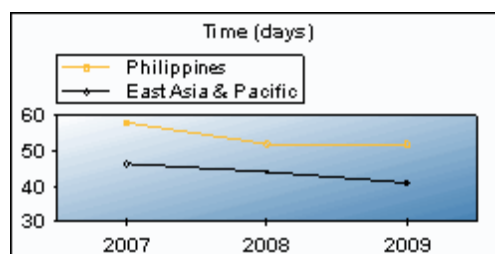
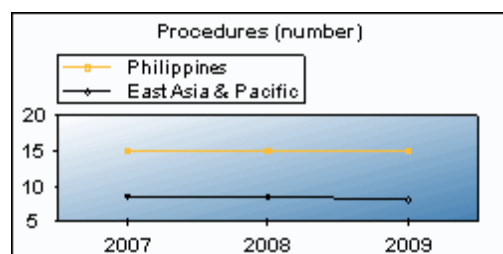
- is a limited liability company conducting general commercial activities
- is located in the largest business city
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has between 10 and 50 employees
- does not qualify for any special benefits
- does not own real estate



## 1. Historical data: Starting a Business in Philippines

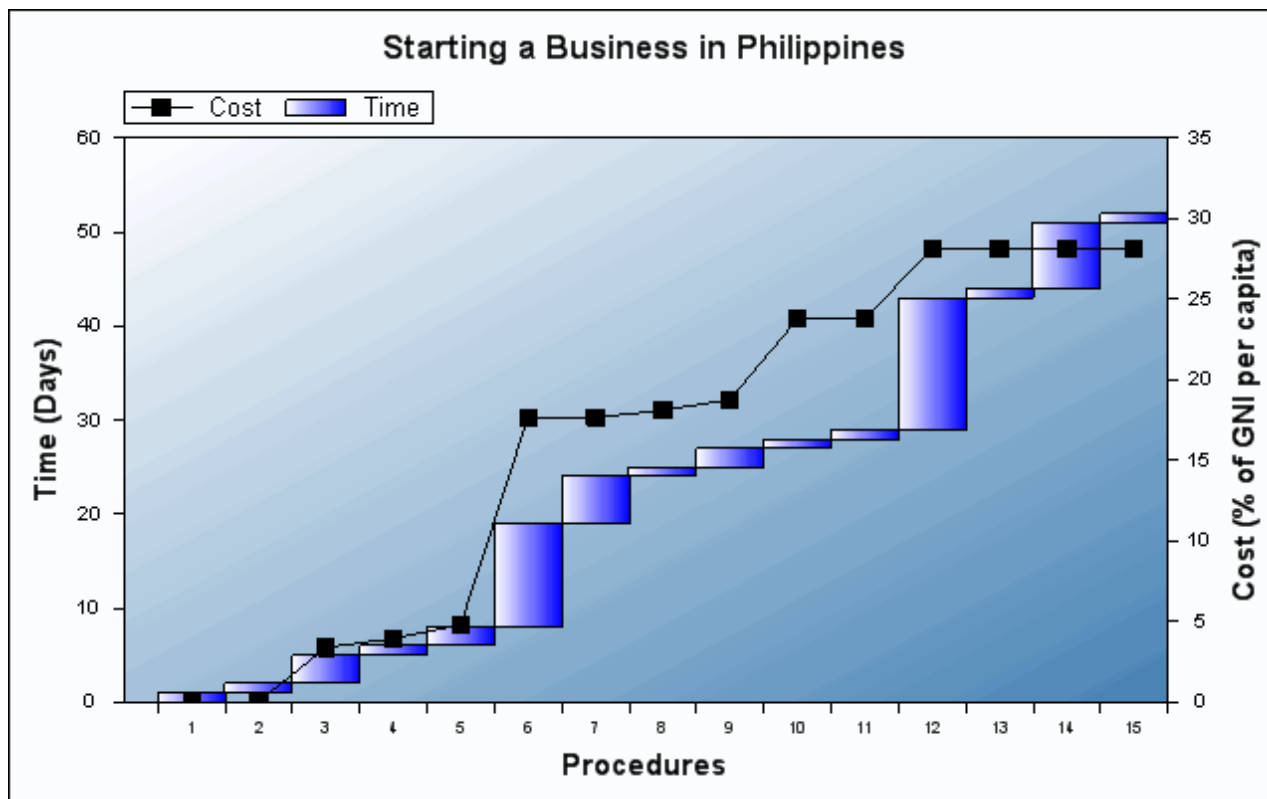
Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	155	162
Procedures (number)	15	15	15
Time (days)	58	52	52
Cost (% of income per capita)	31.8	29.8	28.2
Min. capital (% of income per capita)	6.9	6.0	5.5

2. The following graphs illustrates the Starting a Business indicators in Philippines over the past 3 years:



### 3. Steps to Starting a Business in Philippines

It requires 15 procedures, takes 52 days, and costs 28.16 % GNI per capita to start a business in Philippines.



#### List of Procedures:

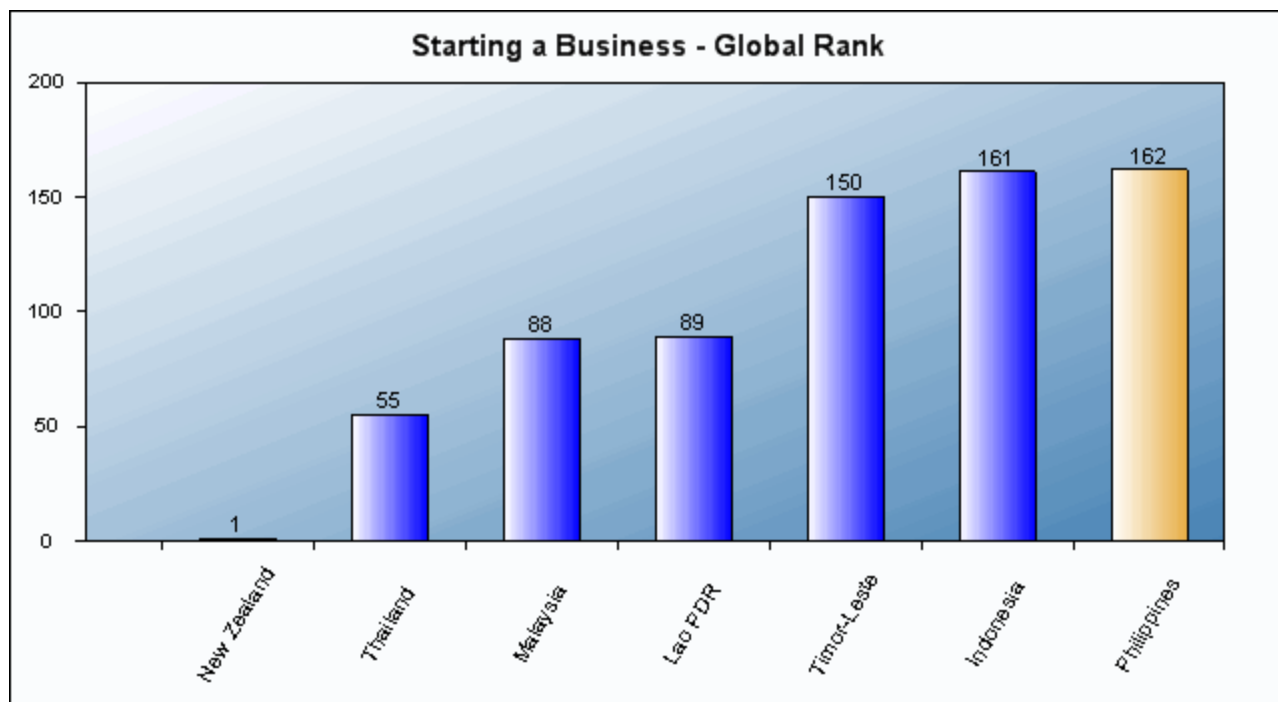
- |  |   |
|--|---|
| 1. Obtain bank certificate of deposit of the paid-in capital   | 11. Obtain the authority to print receipt/invoices with the Bureau of Internal Revenue (BIR)                          |
| 2. Verify the availability of the company name with the Securities and Exchange Commission (SEC)     | 12. Print receipts and invoices at the print shops accredited by the BIR  |
| 3. Register incorporation with the Securities and Exchange Commission                                | 13. Submit receipts and invoices to the BIR for approval, have receipts/invoices and books of accounts stamped by BIR |
| 4. Obtain community tax certificate (CTC)  | 14. Initial registration with the Social Security System (SSS) and  |
| 5. Apply for a Barangay (district) clearance   | 15. Complete registration with SSS and Philippines Health Insurance Company (PHIC)                                    |
| 6. Obtain mayor's permit/municipal license to operate at the Licensing Section of the Mayor's Office |   |
| 7. Receive inspection from the Mayor's Office  |   |
| 8. Buy special books of account at bookstore   |   |
| 9. Register for taxes at the Bureau of Internal Revenue (BIR)  |   |
| 10. Payment of documentary stamp taxes   |   |

More detail is included in the appendix.

#### 4. Benchmarking Starting a Business Regulations:

Philippines is ranked 162 overall for Starting a Business.

Ranking of Philippines in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for Philippines compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of income per capita)</b>	<b>Min. capital (% of income per capita)</b>
<b>Denmark*</b>			0.0	
<b>New Zealand*</b>	1	1		0.0

<i><b>Selected Economy</b></i>				
<b>Philippines</b>	15	52	28.2	5.5

<i><b>Comparator Economies</b></i>				
<b>Indonesia</b>	9	60	26.0	59.7
<b>Lao PDR</b>	7	100	12.3	0.0
<b>Malaysia</b>	9	11	11.9	0.0
<b>Thailand</b>	7	32	6.3	0.0
<b>Timor-Leste</b>	10	83	4.1	202.9

\* The following economies are also good practice economies for :

**Procedures (number):** **Canada**

**Cost (% of income per capita):** **Slovenia**

# Dealing with Construction Permits

Once entrepreneurs have registered a business, what regulations do they face in operating it? To measure such regulation, Doing Business focuses on the construction sector. Construction companies are under constant pressure from government to comply with inspections, with licensing and safety regulations, from customers to be quick and cost-effective. These conflicting pressures point to the tradeoff in building regulation; the tradeoff between protecting people (construction workers, tenants, passersby) and keeping the cost of building affordable.

In many economies, especially poor ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

## Methodology

The indicators on dealing with construction permits record all procedures officially required for an entrepreneur in the construction industry to build a warehouse. These include submitting project documents (building plans, site maps) to the authorities, obtaining all necessary licenses and permits, completing all required notifications and receiving all necessary inspections. They also include procedures for obtaining utility connections, such as electricity, telephone, water and sewerage. The time and cost to complete each procedure under normal circumstances are calculated. All official fees associated with legally completing the procedures are included. Time is recorded in calendar days. The survey assumes that the entrepreneur is aware of all existing regulations and does not use an intermediary to complete the procedures unless required to do so by law.

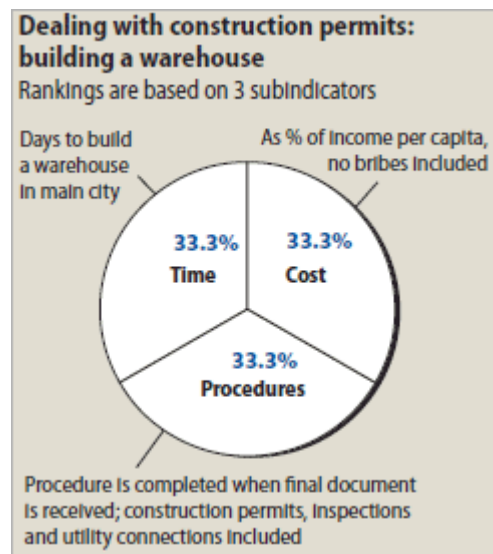
## Survey Case Study

### *The business:*

- is a small to medium-size limited liability company
- is located in the largest business city
- is domestically owned and operated, in the construction business
- has 20 qualified employees

### *The warehouse to be built :*

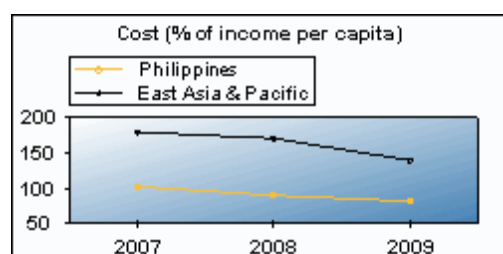
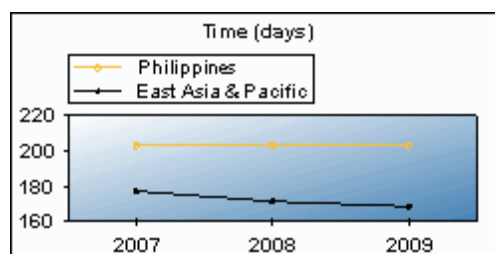
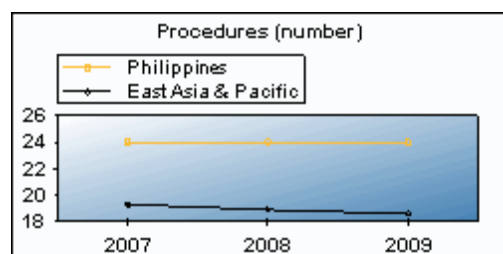
- is a new construction (there was no previous construction on the land)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each utility network will be 32 feet, 10 inches ( 10 meters) long.
- will be used for general storage, such as of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).



## 1. Historical data: Dealing with Construction Permits in Philippines

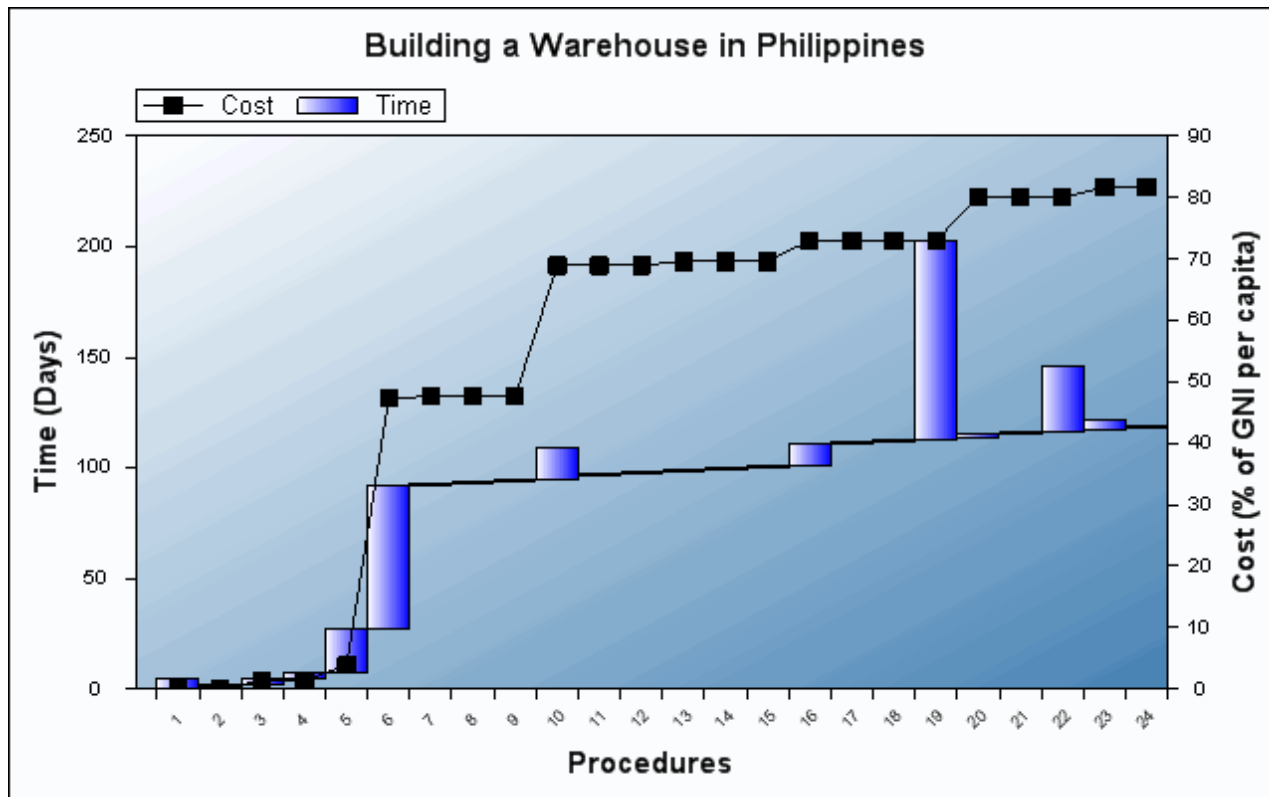
Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	106	111
Procedures (number)	24	24	24
Time (days)	203	203	203
Cost (% of income per capita)	102.4	90.1	81.7

2. The following graphs illustrates the Dealing with Construction Permits indicators in Philippines over the past 3 years:



### 3. Steps to Building a Warehouse in Philippines

It requires 24 procedures, takes 203 days, and costs 81.69 % GNI per capita to build a warehouse in Philippines.



#### List of Procedures:

- |  |   |
|--|---|
| 1. Obtain certified true copy of land title                                  | 12. Receive final electrical inspection   |
| 2. Obtain certified true copy of land title tax declaration of real property | 13. Obtain electrical inspection certificate  |
| 3. Obtain lot plan with site map   | 14. Request certificate of occupancy  |
| 4. Obtain location clearances from Barangay                                  | 15. Receive final inspection from city building official                                      |
| 5. Obtain location clearances from Mayor                                     | 16. Obtain certificate of occupancy   |
| 6. Obtain building permit  | 17. Request electricity connection from MERALCO   |
| 7. Notarize building permit  | 18. Receive electricity inspection  |
| 8. Request fire safety inspection from Bureau of fire prevention             | 19. Obtain electricity connection from MERALCO  |
| 9. Receive fire safety inspection  | 20. Request water and sewage connection from Maynilad Water Services, Inc (Maynilad)          |
| 10. Obtain fire safety inspection certificate                                | 21. Receive inspection  |
| 11. Request final electrical inspection from city electrical engineer        | 22. Obtain permanent water and sewage connection from Maynilad Water Services, Inc (Maynilad) |

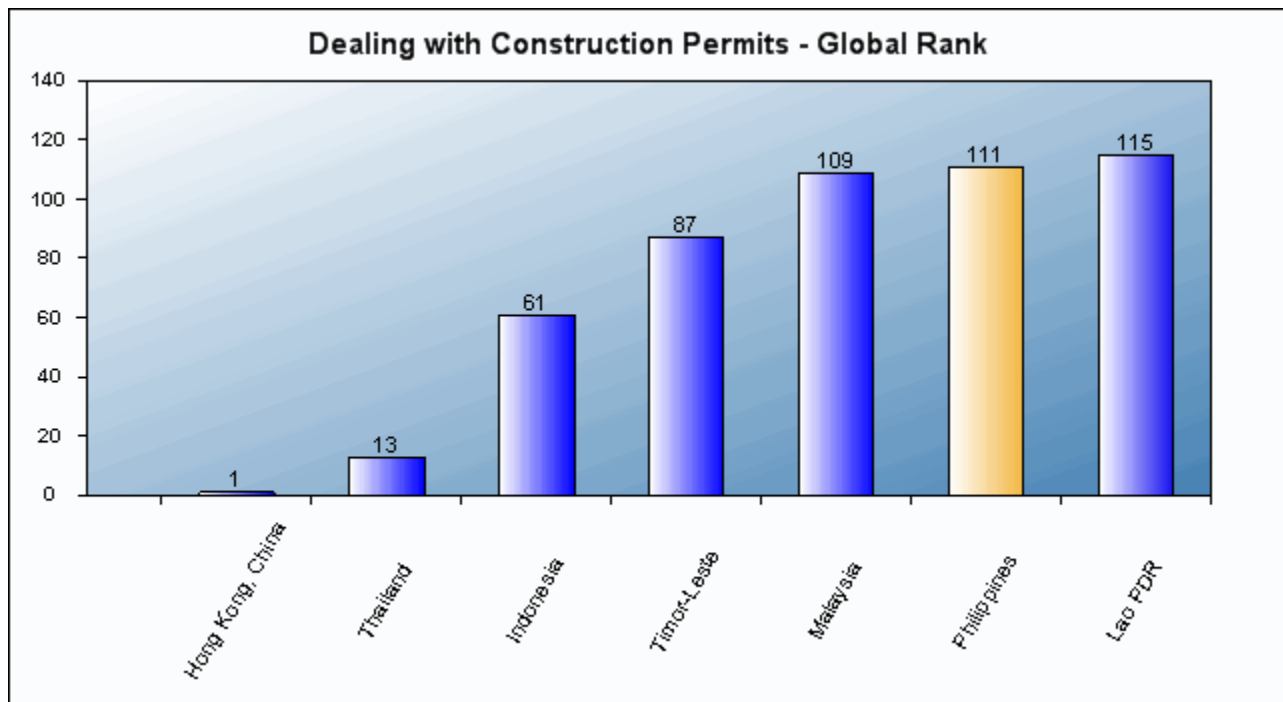
23. Obtain fixed telephone line
24. Submit tax declaration of improvement

More detail is included in the appendix.

#### 4. Benchmarking Dealing with Construction Permits Regulations:

Philippines is ranked 111 overall for Dealing with Construction Permits.

Ranking of Philippines in Dealing with Construction Permits - Compared to good practice and selected economies:





The following table shows Dealing with Construction Permits data for Philippines compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of income per capita)</b>
<b>Denmark</b>	6		
<b>Qatar</b>			0.6
<b>Singapore</b>		25	

<i>Selected Economy</i>			
<b>Philippines</b>	24	203	81.7

<i>Comparator Economies</i>			
<b>Indonesia</b>	14	160	194.8
<b>Lao PDR</b>	24	172	144.0
<b>Malaysia</b>	25	261	7.1
<b>Thailand</b>	11	156	12.1
<b>Timor-Leste</b>	22	208	38.6

# Employing Workers

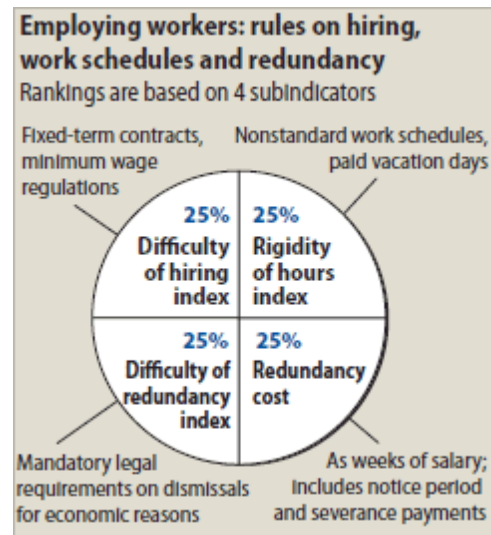
Economies worldwide have established a system of laws and institutions intended to protect workers and guarantee a minimum standard of living for its population. This system generally encompasses four bodies of law: employment, industrial relations, social security and occupational health and safety laws.

Employment regulations are needed to allow efficient contracting between employers and workers and to protect workers from discriminatory or unfair treatment by employers. Doing Business measures flexibility in the regulation of hiring, working hours and dismissal in a manner consistent with the conventions of the International Labour Organization (ILO). An economy can have the most flexible labor regulations as measured by Doing Business while ratifying and complying with all conventions directly relevant to the factors measured by Doing Business and with the ILO core labor standards. No economy can achieve a better score by failing to comply with these conventions.

Governments all over the world face the challenge of finding the right balance between worker protection and labor market flexibility. But in developing countries especially, regulators often err to one extreme, pushing employers and workers into the informal sector. Analysis across economies shows that while employment regulation generally increases the tenure and wages of incumbent workers, overly rigid regulations may have undesirable side effects. These include less job creation, smaller company size, less investment in research and development, and longer spells of unemployment and thus the obsolescence of skills, all of which may reduce productivity growth.

## Methodology

Two measures are presented: a rigidity of employment index and a redundancy cost measure. The rigidity of employment index is the average of three sub-indices: difficulty of hiring, rigidity of hours and difficulty of redundancy. Each index takes values between 0 and 100, with higher values indicating more rigid regulation. The difficulty of hiring index measures the flexibility of contracts and the ratio of the minimum wage to the value added per worker. The rigidity of hours index covers restrictions on weekend and night work, requirements relating to working time and the workweek taking into account legal provisions that refer specifically to small to medium-size companies in the manufacturing industry in which continuous operation is economically necessary, as well as mandated days of annual leave with pay. The difficulty of redundancy index covers workers' legal protections against dismissal, including the grounds permitted for dismissal and procedures for dismissal (individual and collective): notification and approval requirements, retraining or reassignment obligations and priority rules for dismissals and reemployment.



The Redundancy cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary.

## Survey Case Study

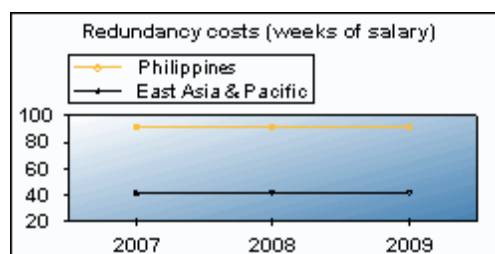
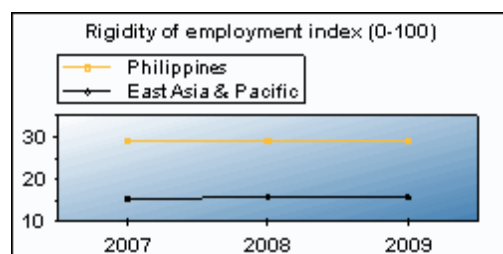
*The business:*

- is a limited liability company operating in the manufacturing sector
- is located in the largest business city
- is 100% domestically owned
- has 60 employees
- The company is also assumed to be subject to collective bargaining agreements in economies where such agreements cover more than half the manufacturing sector and apply even to firms not party to them.

## 1. Historical data: Employing Workers in Philippines

Employing Workers data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	114	115
Redundancy costs (weeks of salary)	91	91	91
Rigidity of employment index (0-100)	29	29	29

2. The following graphs illustrates the Employing Workers indicators in Philippines over the past 3 years:



### 3. Benchmarking Employing Workers Regulations:

Philippines is ranked 115 overall for Employing Workers.

Ranking of Philippines in Employing Workers - Compared to good practice and selected economies:



The following table shows Employing Workers data for Philippines compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Rigidity of employment index (0-100)</b>	<b>Redundancy costs (weeks of salary)</b>
<b>Hong Kong, China*</b>	0	
<b>New Zealand*</b>		0

<i>Selected Economy</i>		
<b>Philippines</b>	29	91

<i>Comparator Economies</i>		
<b>Indonesia</b>	40	108
<b>Lao PDR</b>	20	162
<b>Malaysia</b>	10	75
<b>Thailand</b>	11	54
<b>Timor-Leste</b>	32	17

\* The following economies are also good practice economies for :

**Rigidity of employment index (0-100):** Australia, Brunei Darussalam, Kuwait, Marshall Islands, Singapore, St. Lucia, Uganda, United States

**Redundancy costs (weeks of salary):** Denmark, Iraq, Marshall Islands, Micronesia, Fed. Sts., Palau, Puerto Rico, Tonga, United States

# Registering Property

Formal property titles help promote the transfer of land, encourage investment and give entrepreneurs access to formal credit markets. But a large share of property in developing economies is not formally registered. Informal titles cannot be used as security in obtaining loans, which limits financing opportunities for businesses. Many governments have recognized this and started extensive property titling programs. But bringing assets into the formal sector is only part of the story. The more difficult and costly it is to formally transfer property, the greater the chances that formalized titles will quickly become informal again. Eliminating unnecessary obstacles to registering and transferring property is therefore important for economic development.

Efficient property registration reduces transaction costs and helps to formalize property titles. Simple procedures to register property are also associated with greater perceived security of property rights and less corruption. That benefits all entrepreneurs, especially women, the young and the poor. The rich have few problems protecting their property rights. They can afford to invest in security systems and other measures to defend their property. But small entrepreneurs cannot. Reform can change this.

## Methodology

Doing Business records the full sequence of procedures necessary for a business (buyer) to purchase a property from another business (seller) and to transfer the property title to the buyer's name. The property of land and building will be transferred in its entirety. The transaction is considered complete when the buyer can use the property as collateral for a bank loan.

Local property lawyers and officials in property registries provide information on required procedures as well as the time and cost to complete each one. For most economies the data are based on responses from both. Based on the responses, three indicators are constructed:

- number of procedures to register property
- time to register property (in calendar days)
- official costs to register property (as a percentage of the property value)

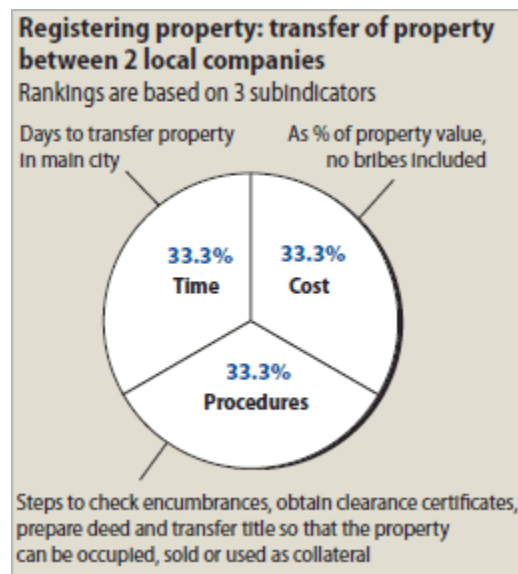
## Survey Case Study

*The buyer and seller:*

- are limited liability companies
- are private nationals (no foreign ownership)
- are located in periurban area of the largest business city
- conduct general commercial activities

*The property:*

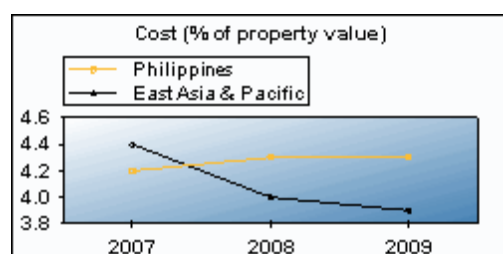
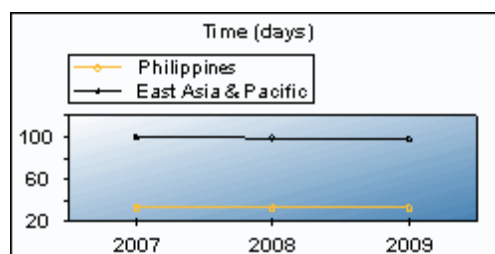
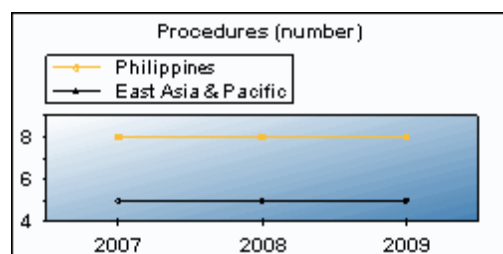
- consists of land and a 2-story building (warehouse)
- is located in the periurban commercial zone of the largest business city
- The land area is 557.4 m<sup>2</sup> (6,000 square feet).
- The warehouse has a total area of 929 m<sup>2</sup> (10,000 square feet).
- has a value equal to 50 times income per capita
- The seller company owned the property for the last 10 years.
- is registered in the land registry and/or cadastre and is free of all disputes.



## 1. Historical data: Registering Property in Philippines

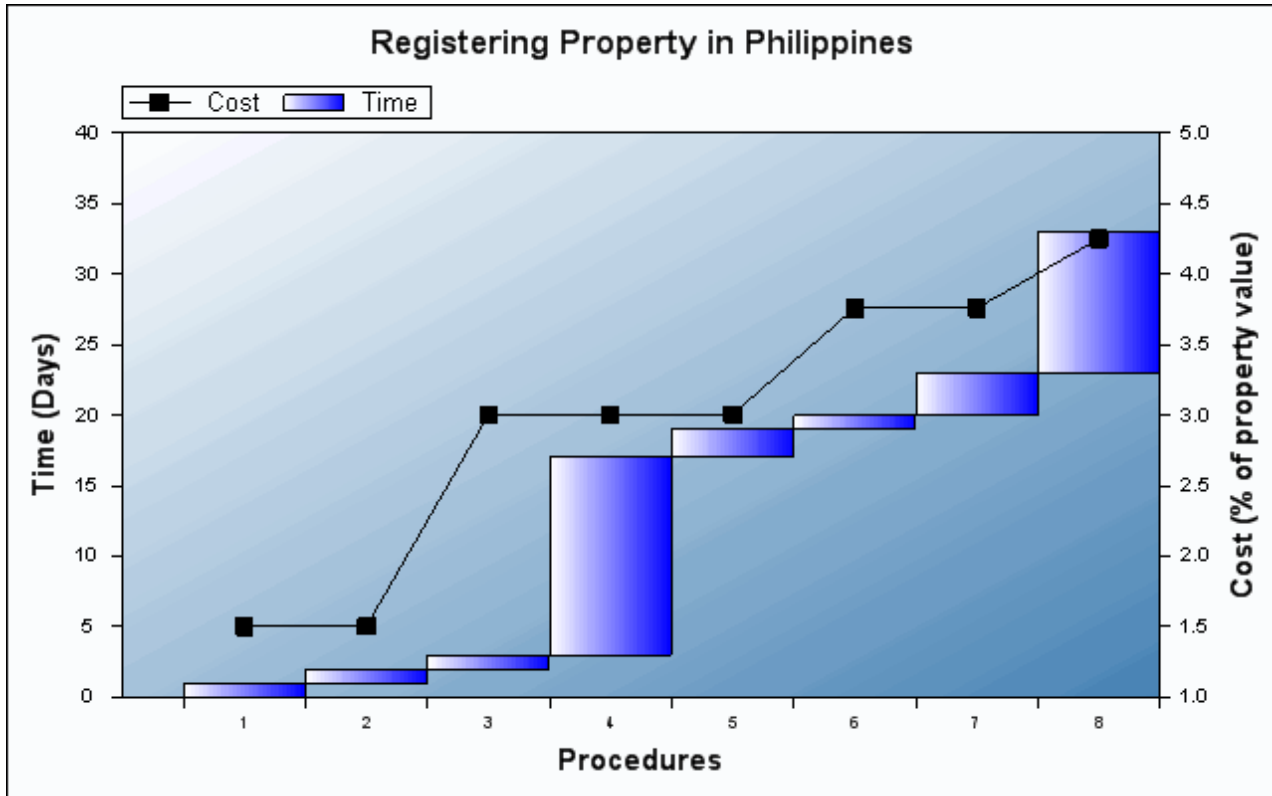
Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	101	102
Procedures (number)	8	8	8
Time (days)	33	33	33
Cost (% of property value)	4.2	4.3	4.3

2. The following graphs illustrates the Registering Property indicators in Philippines over the past 3 years:



### 3. Steps to Registering Property in Philippines

It requires 8 procedures, takes 33 days, and costs 4.25 % of property value to register the property in Philippines.



#### List of Procedures:

1. Preparation of the deed of sale and ratification by notary public
2. Obtain a certified true copy of latest tax declaration from the Assessor's Office of Manila
3. Payment of Documentary Stamp Tax and Capital Gains Tax at an authorized bank
4. Obtain tax clearance (or Certificate Authorizing Registration) from the Bureau of Internal Revenue
5. Obtain a tax clearance certificate of Real Estate Taxes from the Treasurer's Office of Manila
6. Payment of transfer tax at the Treasurer's Office of Manila
7. Apply with the Assessor's Office of Manila for the issuance of a new tax declaration over the building in the name of buyer
8. Apply for registration with the Register of Deeds of Manila

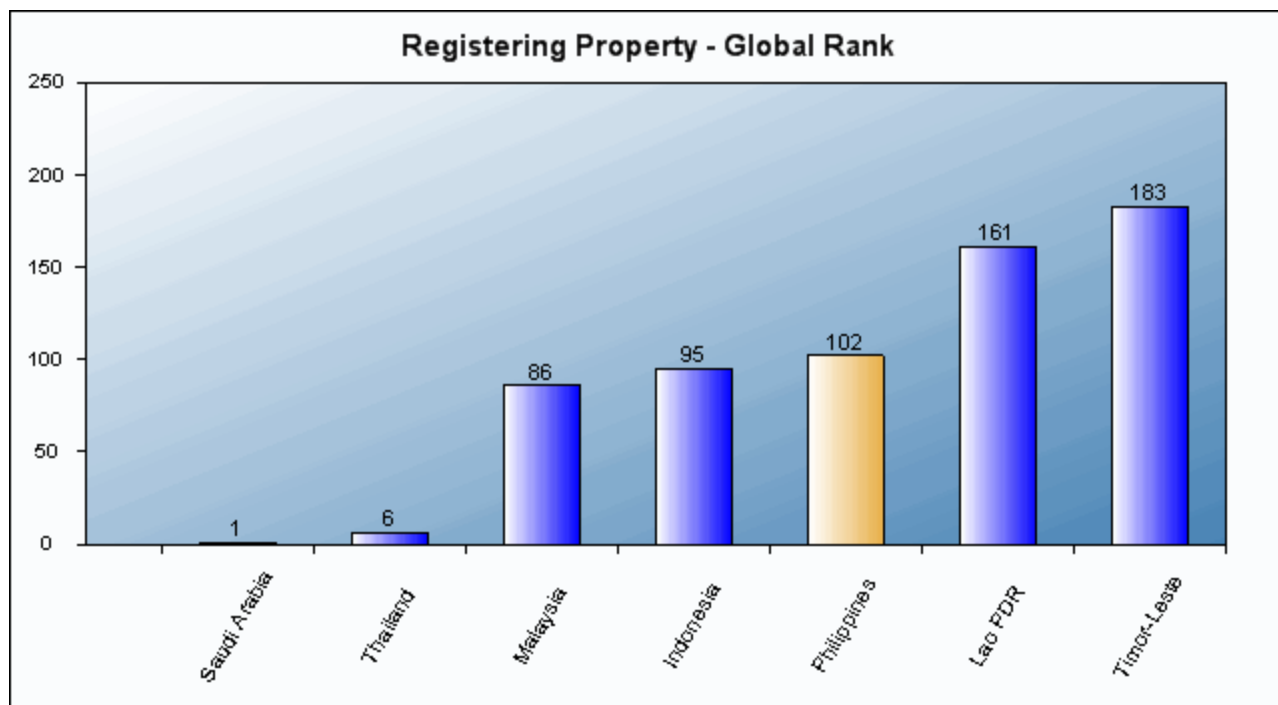


More detail is included in the appendix.

#### 4. Benchmarking Registering Property Regulations:

Philippines is ranked 102 overall for Registering Property.

Ranking of Philippines in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for Philippines compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of property value)</b>
<b>New Zealand*</b>		2	
<b>Norway*</b>	1		
<b>Saudi Arabia</b>			0.0

<i>Selected Economy</i>			
<b>Philippines</b>	8	33	4.3

<i>Comparator Economies</i>			
<b>Indonesia</b>	6	22	10.7
<b>Lao PDR</b>	9	135	4.1
<b>Malaysia</b>	5	144	2.6
<b>Thailand</b>	2	2	1.1
<b>Timor-Leste</b>	no practice	no practice	no practice

\* The following economies are also good practice economies for :

**Procedures (number): United Arab Emirates**

**Time (days): Saudi Arabia, Thailand, United Arab Emirates**

# Getting Credit

Firms consistently rate access to credit as among the greatest barriers to their operation and growth. Doing Business constructs two sets of indicators of how well credit markets function: one on credit registries and the other on legal rights of borrowers and lenders. Credit registries, institutions that collect and distribute credit information on borrowers, can greatly expand access to credit. By sharing credit information, they help lenders assess risk and allocate credit more efficiently. They also free entrepreneurs from having to rely on personal connections alone when trying to obtain credit.

## Methodology

**Credit information:** three indicators are constructed

- depth of credit information index, which measures the extent to which the rules of a credit information system facilitate lending based on the scope of information distributed, the ease of access to information and the quality of information
- public registry coverage, which reports the number of individuals and firms covered by a public credit registry as a percentage of the adult population
- private bureau coverage, which reports the number of individuals and firms, covered by a private credit bureau as a percentage of the adult population

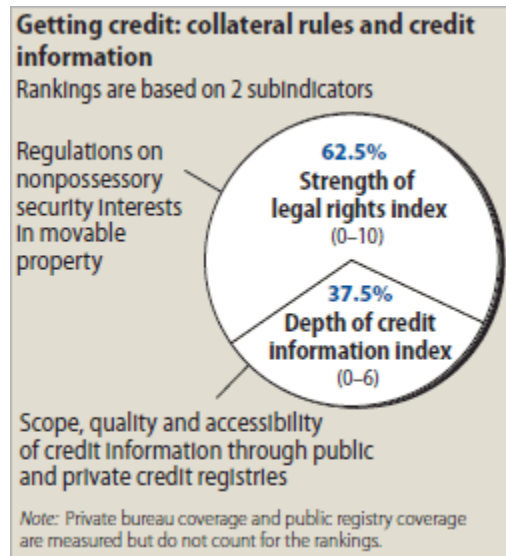
**Legal Rights:** the strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders. Ten points are analyzed:

- Can a business use movable assets as collateral while keeping possession of the assets, and can any financial institution accept such assets as collateral?
- Does the law allow a business to grant a non-possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets?
- Does the law allow a business to grant a non-possessory security right in substantially all of its assets, without requiring a specific description of the secured assets?
- Can a security right extend to future or after-acquired assets and extend automatically to the products, proceeds or replacements of the original assets?
- Is general description of debts and obligations permitted in collateral agreements and in registration documents, so that all types of obligations and debts can be secured by stating a maximum rather than a specific amount between the parties?
- Is a collateral registry in operation that is unified geographically and by asset type as well as being indexed by the name of the grantor of a security right?
- Are secured creditors paid first when a debtor defaults outside an insolvency procedure or when a business is liquidated?
- Are secured creditors subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure?
- Are parties allowed to agree in a collateral agreement that the lender may enforce its security right out of court?

## Legal Rights Survey Case Study

*The Debtor:*

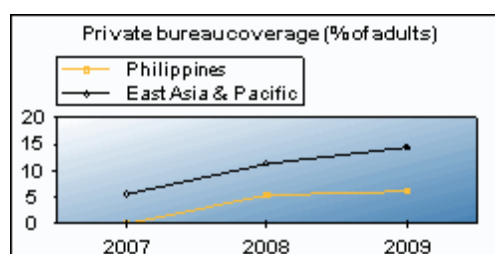
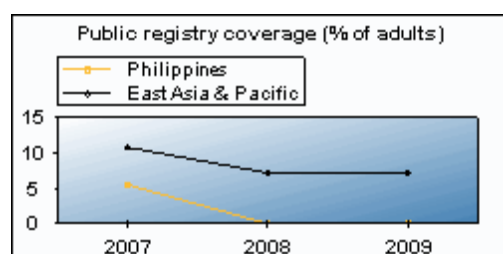
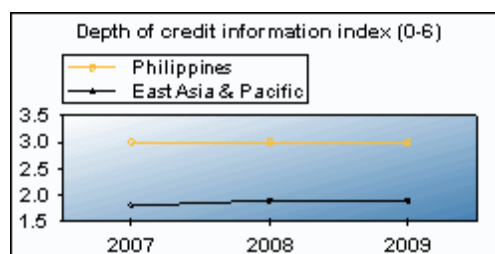
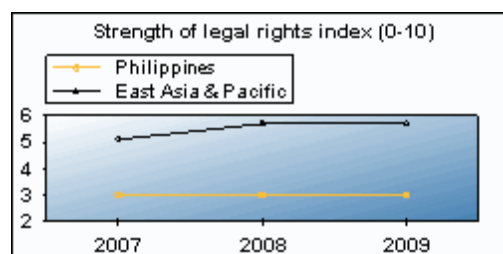
- is a Private Limited Liability Company
- has its headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both debtor and creditor are 100% domestically owned.



## 1. Historical data: Getting Credit in Philippines

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	125	127
Strength of legal rights index (0-10)	3	3	3
Depth of credit information index (0-6)	3	3	3
Private bureau coverage (% of adults)	0.0	5.4	6.1
Public registry coverage (% of adults)	5.5	0.0	0.0

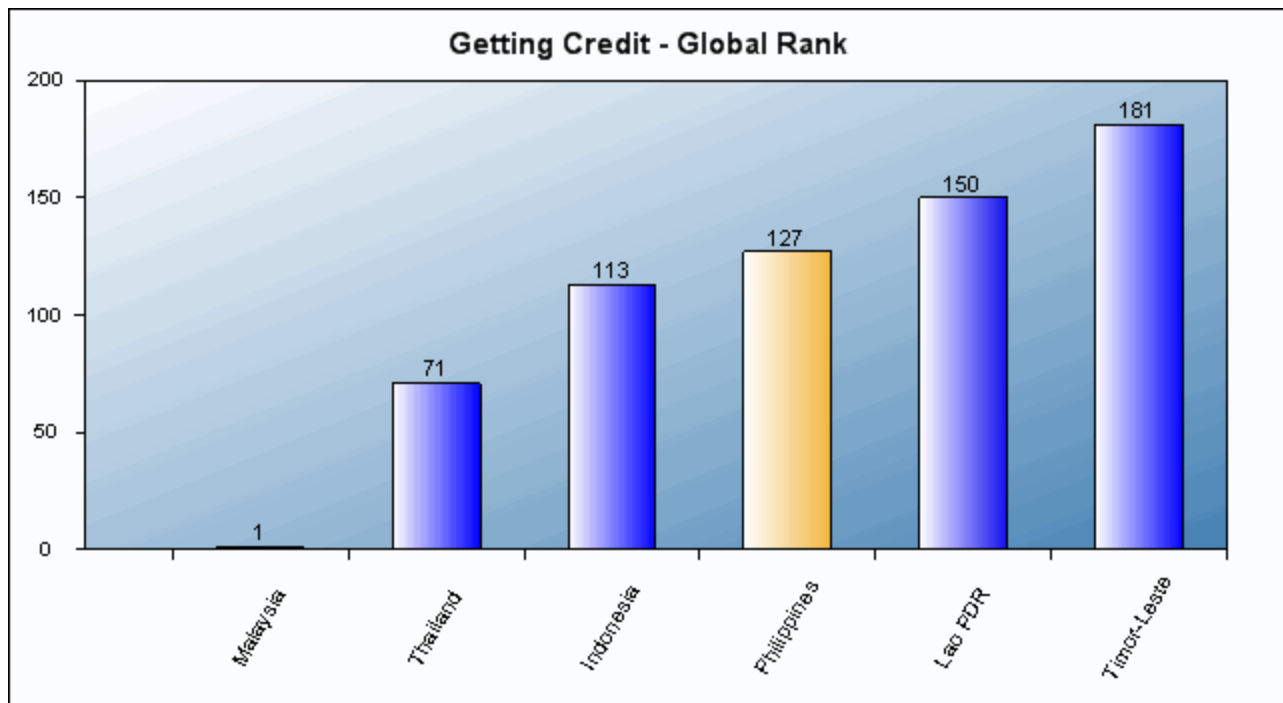
## 2. The following graphs illustrates the Getting Credit indicators in Philippines over the past 3 years:



### 3. Benchmarking Getting Credit Regulations:

Philippines is ranked 127 overall for Getting Credit.

Ranking of Philippines in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for Philippines compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Strength of legal rights index (0-10)</b>	<b>Depth of credit information index (0-6)</b>	<b>Public registry coverage (% of adults)</b>	<b>Private bureau coverage (% of adults)</b>
<b>New Zealand*</b>				100.0
<b>Portugal</b>			81.3	
<b>Singapore*</b>	10			
<b>United Kingdom</b>		6		

<i><b>Selected Economy</b></i>				
<b>Philippines</b>	3	3	0.0	6.1

<i><b>Comparator Economies</b></i>				
<b>Indonesia</b>	3	4	22.0	0.0
<b>Lao PDR</b>	4	0	0.0	0.0
<b>Malaysia</b>	10	6	48.5	82.0
<b>Thailand</b>	4	5	0.0	32.9
<b>Timor-Leste</b>	1	0	0.0	0.0

\* The following economies are also good practice economies for :

**Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia**

**Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States**

**27 countries have the highest credit information index.**

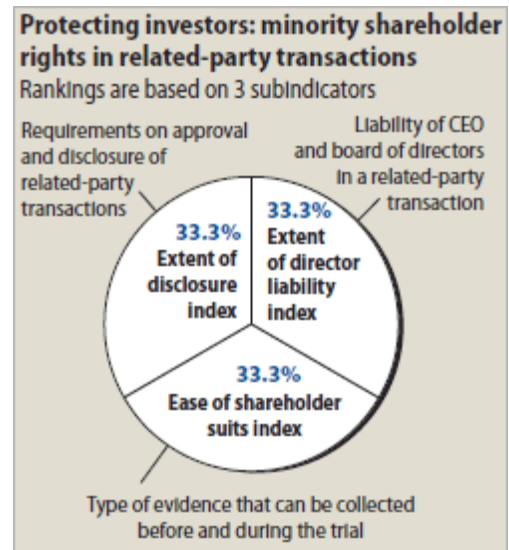
# Protecting Investors

Companies grow by raising capital, either through a bank loan or by attracting equity investors. Selling shares allows companies to expand without the need to provide collateral and repay bank loans. However, investors worry about their money, and look for laws that protect them. A study finds that the presence of legal and regulatory protections for investors explains up to 73% of the decision to invest. In contrast, company characteristics explain only between 4% and 22%\*. Good protections for minority shareholders are associated with larger and more active stock markets. Thus both governments and businesses have an interest in reforms strengthening investor protections.

## Methodology

To document some of the protections investors have, Doing Business measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gain. Three indices of investor protection are constructed based on the answers to these and other questions. All indices range from 0 to 10, with higher values indicating more protections or greater disclosure. The three indices are:

- The extent of disclosure index covers approval procedures, requirements for immediate disclosure to the public and shareholders of proposed transactions, requirements for disclosure in periodic filings and reports and the availability of external review of transactions before they take place.
- The extent of director liability index covers the ability of investors to hold Mr. James and the board of directors liable for damages, the ability to rescind the transaction, the availability of fines and jail time associated with self-dealing, the availability of direct or derivative suits and the ability to require Mr. James to pay back his personal profits from the transaction.
- The ease of shareholder suits index covers the availability of documents that can be used during trial, the ability of the investor to examine the defendant and other witnesses, shareholders' access to internal documents of the company, the appointment of an inspector to investigate the transaction and the standard of proof applicable to a civil suit against the directors.



These three indices are averaged to create the strength of investor protection index.

## Survey case study

Mr. James, a director and the majority shareholder of a public company, proposes that the company purchase used trucks from another company he owns. The price is higher than the going price for used trucks. The transaction goes forward. All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company. Shareholders sue the interested parties and the members of the board of directors.

Several questions arise:

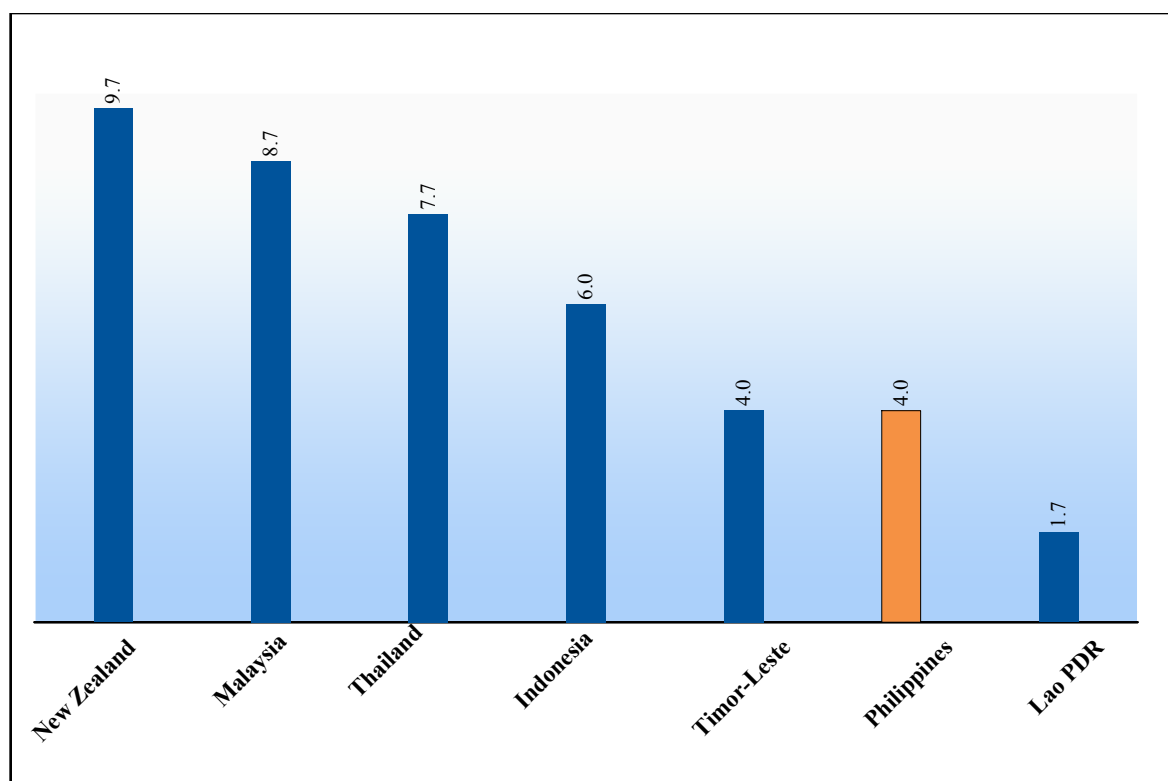
- Who approves the transaction?
- What information must be disclosed?
- What company documents can investors access?
- What do minority shareholders have to prove to get the transaction stopped or to receive compensation from Mr. James?

\*Doidge, Kardy and Stulz (2007)

## 1. Historical data: Protecting Investors in Philippines

Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	127	132
Strength of investor protection index (0-10)	4.0	4.0	4.0

2. The following graph illustrates the Protecting Investors index in Philippines compared to best practice and selected Economies:



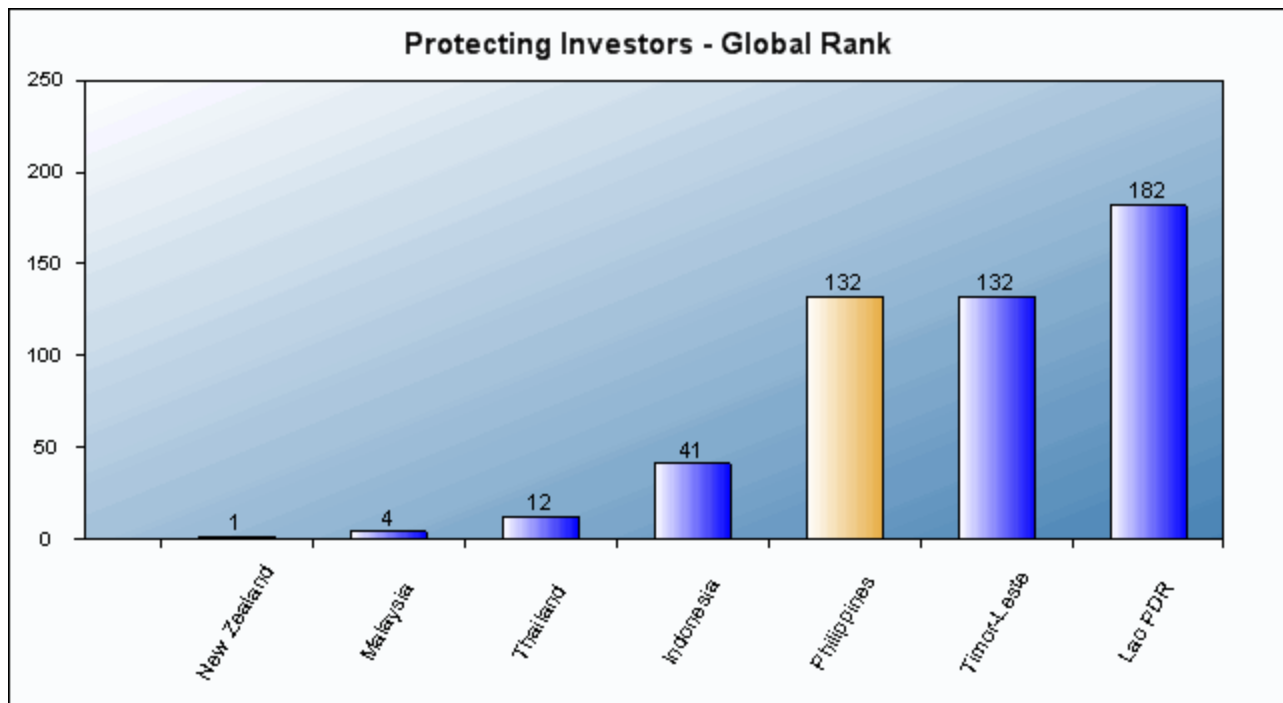
Note: The higher the score, the greater the investor protection.



### 3. Benchmarking Protecting Investors Regulations:

Philippines is ranked 132 overall for Protecting Investors.

Ranking of Philippines in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for Philippines compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Strength of investor protection index (0-10)</b>
<b>New Zealand</b>	9.7

<i>Selected Economy</i>	
<b>Philippines</b>	4.0

<i>Comparator Economies</i>	
<b>Indonesia</b>	6.0
<b>Lao PDR</b>	1.7
<b>Malaysia</b>	8.7
<b>Thailand</b>	7.7
<b>Timor-Leste</b>	4.0

# Paying Taxes

Taxes are essential. Without them there would be no money to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. But particularly for small and medium size companies, they may opt out and choose to operate in the informal sector. One way to enhance tax compliance is to ease and simplify the process of paying taxes for such businesses.

## Methodology

The Doing Business tax survey records the effective tax that a small and medium company must pay and the administrative costs of doing so.

Three indicators are constructed:

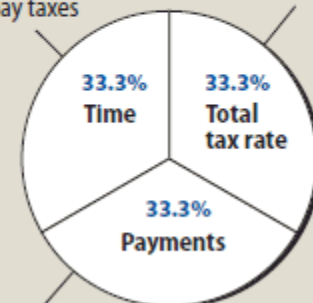
- number of tax payments, which takes in to account the method of payment, the frequency of payments and the number of agencies involved in our standardized case study.
- time, which measures the number of hours per year necessary to prepare and file tax returns and to pay the corporate income tax, value added tax, sales tax or goods and service tax and labor taxes and mandatory contributions.
- total tax rate, which measures the amount of taxes and mandatory contributions payable by the company during the second year of operation. This amount, expressed as a percentage of commercial profit, is the sum of all the different taxes payable after accounting for various deductions and exemptions.

## Paying taxes: tax compliance for a local manufacturing company

Rankings are based on 3 subindicators

Number of hours per year to prepare, file returns and pay taxes

Firm tax liability as % of profits before all taxes borne



Number of tax payments per year

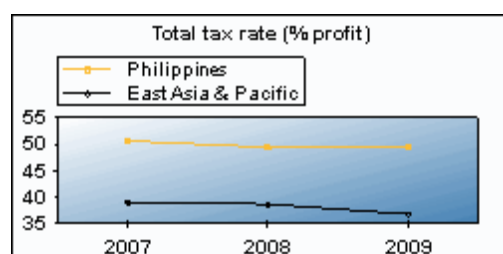
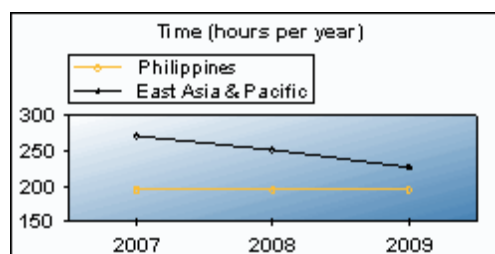
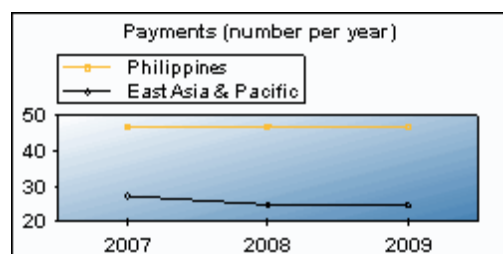
## Survey case study

- TaxpayerCo is a medium-size business that started operations last year. Doing Business asks tax practitioners in 183 economies to review TaxpayerCo's financial statements and a standard list of transactions that the company completed during the year. Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government and include corporate income tax, turnover tax, all labor taxes and contributions paid by the company (including mandatory contributions paid to private pension or insurance funds), property tax, property transfer tax, dividend tax, capital gains tax, financial transactions tax, vehicle tax, sales tax and other small taxes (such as fuel tax, stamp duty and local taxes). A range of standard deductions and exemptions are also recorded.

## 1. Historical data: Paying Taxes in Philippines

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	126	135
Total tax rate (% profit)	50.6	49.4	49.4
Payments (number per year)	47	47	47
Time (hours per year)	195	195	195

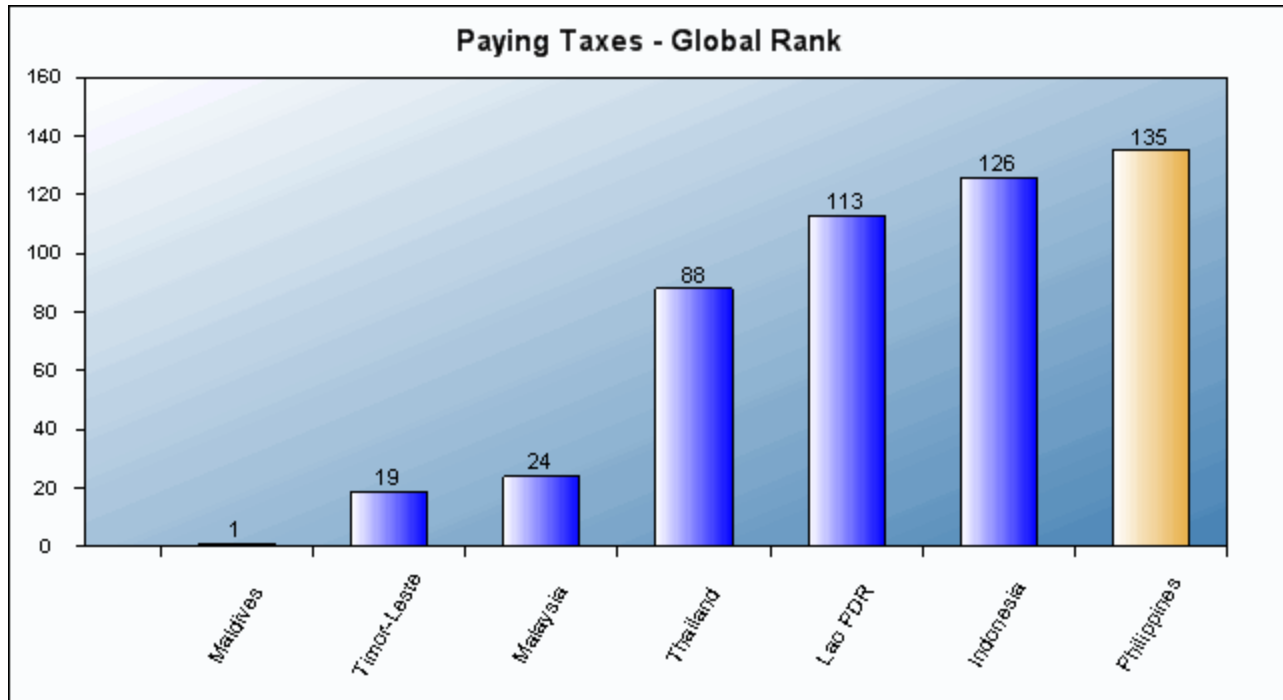
## 2. The following graphs illustrates the Paying Taxes indicators in Philippines over the past 3 years:



### 3. Benchmarking Paying Taxes Regulations:

Philippines is ranked 135 overall for Paying Taxes.

Ranking of Philippines in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for Philippines compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Payments (number per year)</b>	<b>Time (hours per year)</b>	<b>Total tax rate (% profit)</b>
<b>Maldives*</b>	1	0	
<b>Timor-Leste</b>			0.2

<i><b>Selected Economy</b></i>			
<b>Philippines</b>	47	195	49.4

<i><b>Comparator Economies</b></i>			
<b>Indonesia</b>	51	266	37.6
<b>Lao PDR</b>	34	362	33.7
<b>Malaysia</b>	12	145	34.2
<b>Thailand</b>	23	264	37.2
<b>Timor-Leste</b>	6	276	0.2

\* The following economies are also good practice economies for :

**Payments (number per year): Qatar**

# Trading Across Borders

The benefits of trade are well documented; as are the obstacles to trade. Tariffs, quotas and distance from large markets greatly increase the cost of goods or prevent trading altogether. But with bigger ships and faster planes, the world is shrinking. Global and regional trade agreements have reduced trade barriers. Yet Africa's share of global trade is smaller today than it was 25 years ago. So is the Middle East's, excluding oil exports. Many entrepreneurs face numerous hurdles to exporting or importing goods, including delays at the border. They often give up. Others never try. In fact, the potential gains from trade facilitation may be greater than those arising from only tariff reductions.

## Methodology

Doing Business compiles procedural requirements for trading a standard shipment of goods by ocean transport. Every procedure and the associated documents, time and cost, for importing and exporting the goods is recorded, starting with the contractual agreement between the two parties and ending with delivery of the goods. For importing the goods, the procedures measured range from the vessel's arrival at the port of entry to the shipment's delivery at the importer's warehouse. For exporting the goods, the procedures measured range from the packing of the goods at the factory to their departure from the port of exit. Payment is by letter of credit and the time and cost for issuing or securing a letter of credit is taken into account.

Documents recorded include port filing documents, customs declaration and clearance documents, as well as official documents exchanged between the parties to the transaction. Time is recorded in calendar days, from the beginning to the end of each procedure. Cost includes the fees levied on a 20-foot container in U.S. dollars.

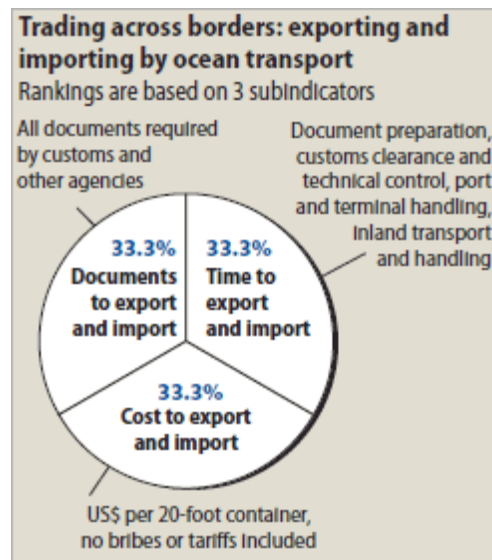
All the fees associated with completing the procedures to export or import the goods are included, such as costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or duties.

Economies that have efficient customs, good transport networks and fewer document requirements, making compliance with export and import procedures faster and cheaper, are more competitive globally. That can lead to more exports; and exports are associated with faster growth and more jobs. Conversely, a need to file many documents is associated with more corruption in customs. Faced with long delays and frequent demands for bribes, many traders may avoid customs altogether. Instead, they smuggle goods across the border. This defeats the very purpose in having border control of trade to levy taxes and ensure high quality of goods.

## Survey case study

To make the data comparable across countries, several assumptions about the business and the traded goods are used:

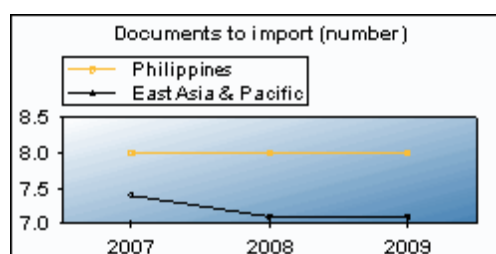
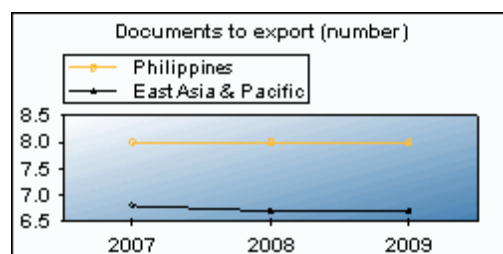
- The business is of medium size.
- The business employs 60 people.
- The business is located in the peri-urban area of the economy's largest business city.
- The business is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.
- The traded goods are ordinary, legally manufactured products transported in a dry-cargo, 20-foot FCL (full container load) container.



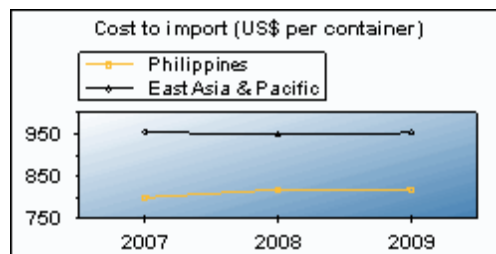
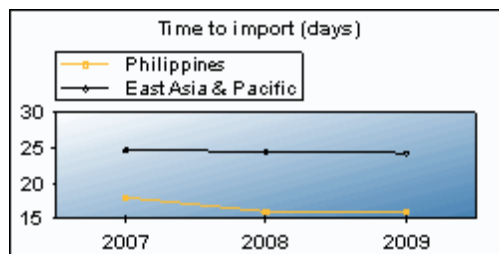
## 1. Historical data: Trading Across Borders in Philippines

Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	66	68
Cost to export (US\$ per container)	800	816	816
Cost to import (US\$ per container)	800	819	819
Documents to export (number)	8	8	8
Documents to import (number)	8	8	8
Time to export (days)	17	16	16
Time to import (days)	18	16	16

2. The following graphs illustrates the Trading Across Borders indicators in Philippines over the past 3 years:



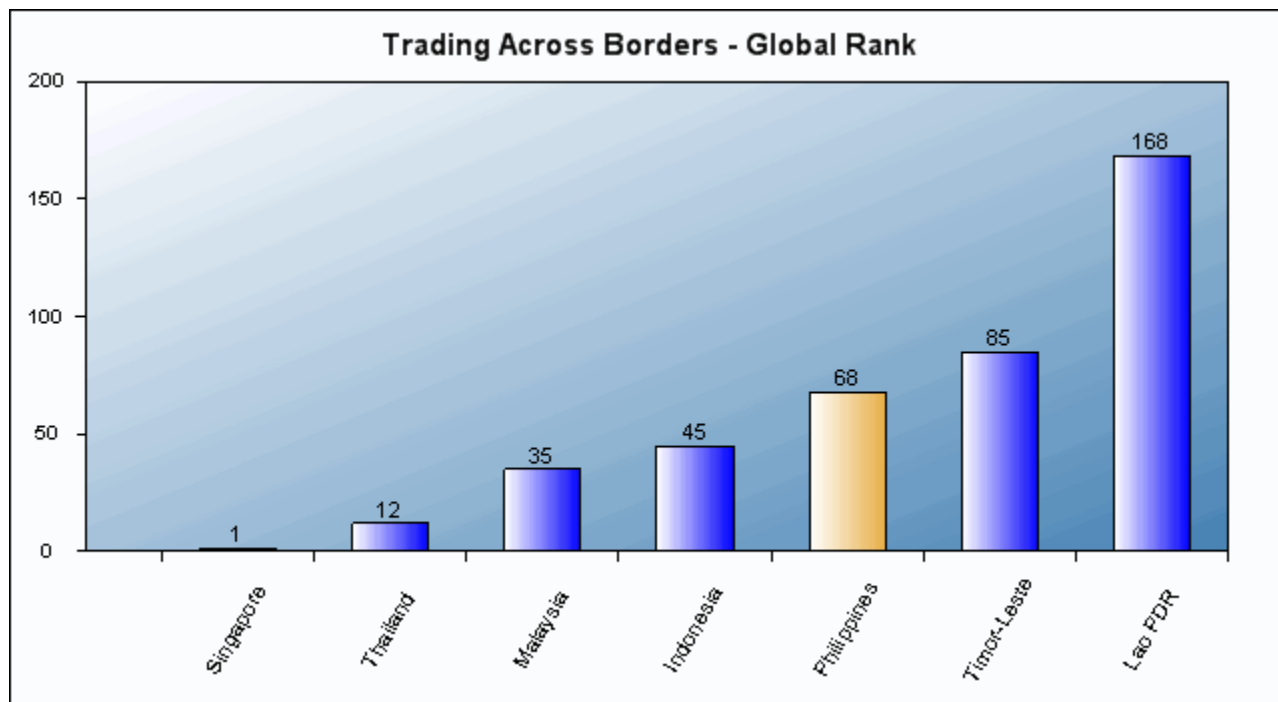




### 3. Benchmarking Trading Across Borders Regulations:

Philippines is ranked 68 overall for Trading Across Borders.

Ranking of Philippines in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for Philippines compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Documents to export (number)</b>	<b>Time to export (days)</b>	<b>Cost to export (US\$ per container)</b>	<b>Documents to import (number)</b>	<b>Time to import (days)</b>	<b>Cost to import (US\$ per container)</b>
<b>Denmark*</b>		5				
<b>France</b>	2			2		
<b>Malaysia</b>			450			
<b>Singapore</b>					3	439

<i><b>Selected Economy</b></i>						
<b>Philippines</b>	8	16	816	8	16	819

<i><b>Comparator Economies</b></i>						
<b>Indonesia</b>	5	21	704	6	27	660
<b>Lao PDR</b>	9	50	1860	10	50	2040
<b>Malaysia</b>	7	18	450	7	14	450
<b>Thailand</b>	4	14	625	3	13	795
<b>Timor-Leste</b>	6	25	1010	7	26	1015

\* The following economies are also good practice economies for :

**Time to export (days): Estonia**

# Enforcing Contracts

Where contract enforcement is efficient, businesses are more likely to engage with new borrowers or customers. Doing Business tracks the efficiency of the judicial system in resolving a commercial dispute, following the step-by-step evolution of a commercial sale dispute before local courts. The data is collected through study of the codes of civil procedure and other court regulations as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Justice delayed is often justice denied. And in many economies only the rich can afford to go to court. For the rest, justice is out of reach. In the absence of efficient courts, firms undertake fewer investments or business transactions. And they prefer to involve only a small group of people who know each other from previous dealings.

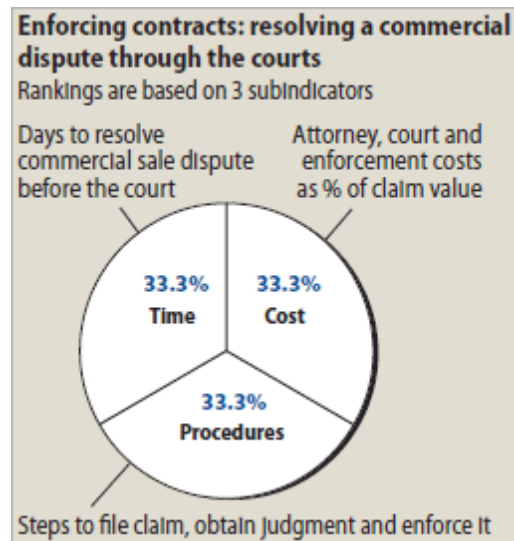
## Methodology

Rankings on enforcing contracts are based on 3 sub-indicators:

- number of procedures, which are defined as any interaction between the parties or between them and the judge or court officer. This includes steps to file the case, steps for trial and judgment and steps necessary to enforce the judgment.
- time, which counts the number of calendar days from the moment the Seller files the lawsuit in court until payment is received. This includes both the days on which actions take place and the waiting periods in between.
- cost, which is recorded as a percentage of the claim (assumed to be equivalent to 200% of income per capita). Three types of costs are recorded: court costs (including expert fees), enforcement costs (including costs for a public sale of Buyer's assets) and attorney fees.

## Survey case Study

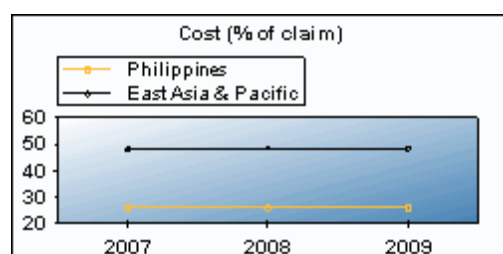
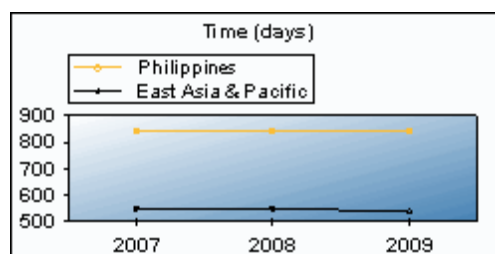
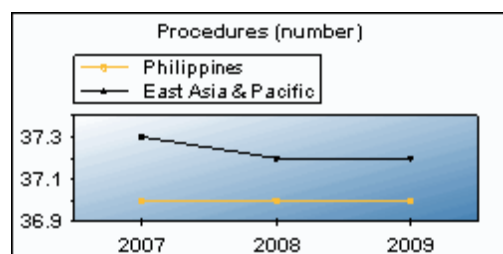
- The dispute concerns a contract for the sale of goods between two businesses (the Seller and the Buyer).
- Both are located in the economy's largest business city.
- The Seller sells and delivers goods, worth 200% of the economy's income per capita, to the Buyer. The Buyer refuses to pay on the grounds that they were not of adequate quality.
- The Seller sues the Buyer to recover the amount under the sales agreement (200% of the economy's income per capita).
- The claim is filed before a court in the economy's largest business city with jurisdiction over commercial cases worth 200% of the income per capita and is disputed on the merits.
- Judgment is 100% in favor of the Seller and is not appealed.
- The Seller enforces the judgment and the money is successfully collected through a public sale of Buyer's assets.



## 1. Historical data: Enforcing Contracts in Philippines

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	116	118
Procedures (number)	37	37	37
Time (days)	842	842	842
Cost (% of claim)	26.0	26.0	26.0

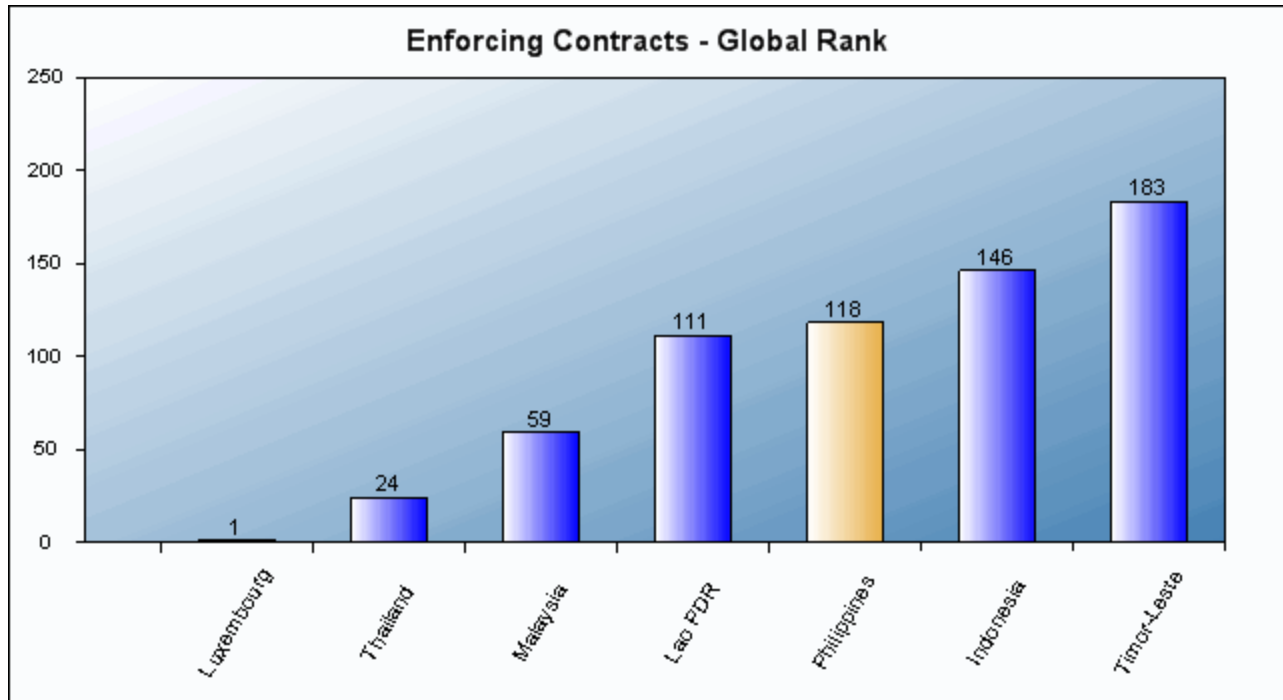
2. The following graphs illustrates the Enforcing Contracts indicators in Philippines over the past 3 years:



### 3. Benchmarking Enforcing Contracts Regulations:

Philippines is ranked 118 overall for Enforcing Contracts.

Ranking of Philippines in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for Philippines compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of claim)</b>
<b>Bhutan</b>			0.1
<b>Ireland</b>	20		
<b>Singapore</b>		150	

<i>Selected Economy</i>			
<b>Philippines</b>	37	842	26.0

<i>Comparator Economies</i>			
<b>Indonesia</b>	39	570	122.7
<b>Lao PDR</b>	42	443	31.6
<b>Malaysia</b>	30	585	27.5
<b>Thailand</b>	35	479	12.3
<b>Timor-Leste</b>	51	1435	163.2

# Closing a Business

The economic crises of the 1990s in emerging markets, from East Asia to Latin America, from Russia to Mexico, raised concerns about the design of bankruptcy systems and the ability of such systems to help reorganize viable companies and close down unviable ones. In countries where bankruptcy is inefficient, unviable businesses linger for years, keeping assets and human capital from being reallocated to more productive uses.

Bottlenecks in bankruptcy cut into the amount claimants can recover. In countries where bankruptcy laws are inefficient, this is a strong deterrent to investment. Access to credit shrinks, and nonperforming loans and financial risk grow because creditors cannot recover overdue loans. Conversely, efficient bankruptcy laws can encourage entrepreneurs. The freedom to fail, and to do so through an efficient process, puts people and capital to their most effective use. The result is more productive businesses and more jobs.

The Doing Business indicators identify weaknesses in the bankruptcy law as well as the main procedural and administrative bottlenecks in the bankruptcy process. In many developing countries bankruptcy is so inefficient that creditors hardly ever use it. In countries such as these, reform would best focus on improving contract enforcement outside bankruptcy.

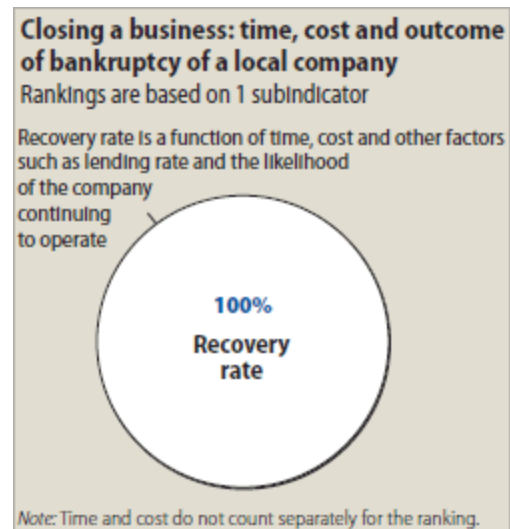
## Methodology

Three measures are constructed from the survey responses: the time to go through the insolvency process, the cost to go through the process and the recovery rate, how much of the insolvency estate is recovered by stakeholders, taking into account the time, cost, depreciation of assets and the outcome of the insolvency proceeding.

## Survey case study

The data on closing a business are developed using a standard set of case assumptions to track a company going through the step-by-step procedures of the bankruptcy process. It is assumed that:

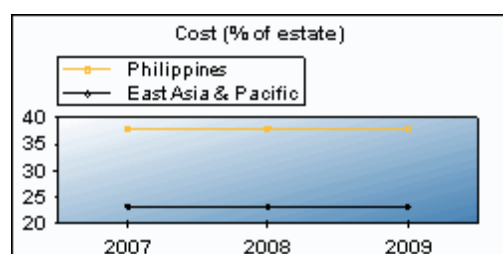
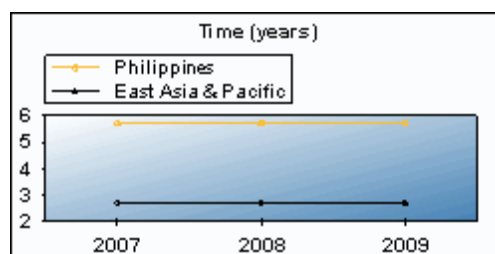
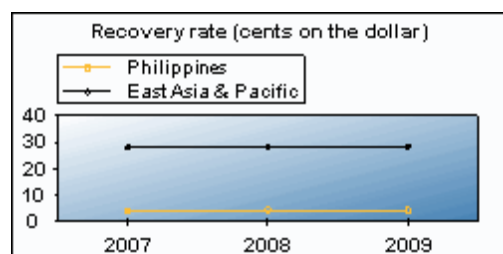
- the company is a domestically owned
- the company is a limited liability corporation operating a hotel in the country's largest business city
- the company has 201 employees, 1 main secured creditor and 50 unsecured creditors
- Assumptions are also made about the future cash flows.
- The case is designed so that the company has a higher value as a going concern, that is, the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.
- The data are derived from questionnaires answered by attorneys at private law firms.



## 1. Historical data: Closing Business in Philippines

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	153	153
Time (years)	5.7	5.7	5.7
Cost (% of estate)	38	38	38
Recovery rate (cents on the dollar)	4.2	4.4	4.4

2. The following graphs illustrates the Closing Business indicators in Philippines over the past 3 years:

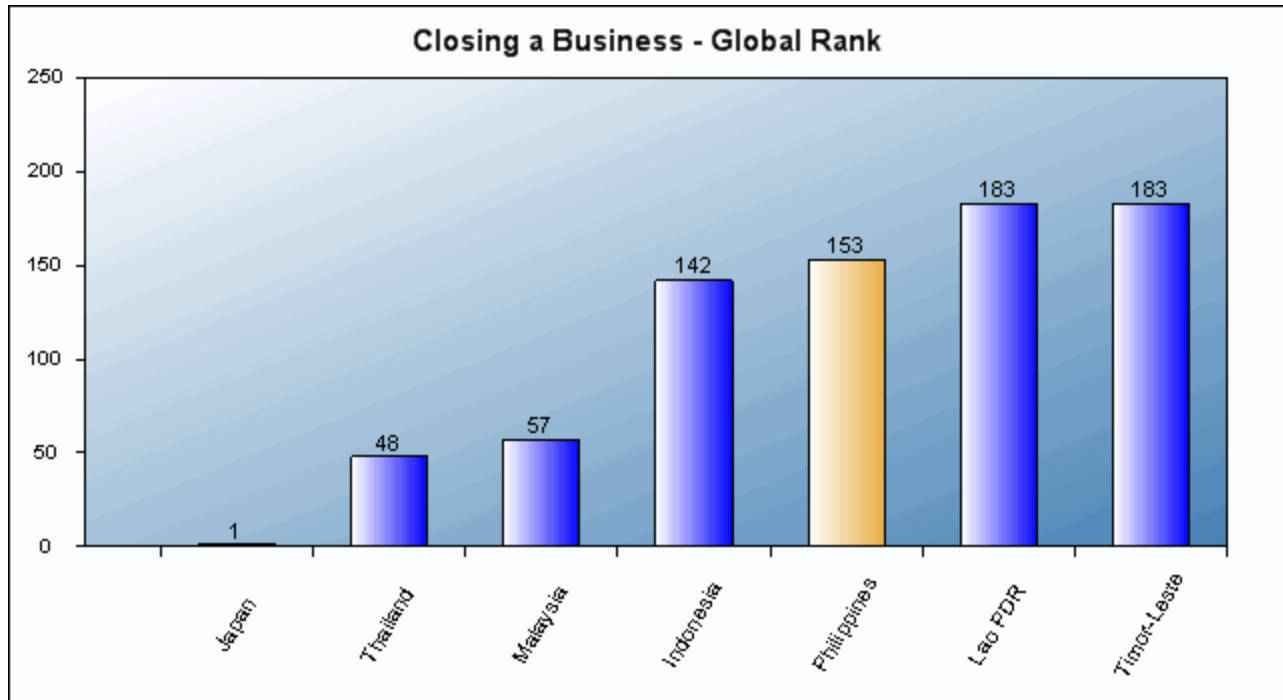




### 3. Benchmarking Closing Business Regulations:

Philippines is ranked 153 overall for Closing a Business.

Ranking of Philippines in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for Philippines compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Recovery rate (cents on the dollar)</b>	<b>Time (years)</b>	<b>Cost (% of estate)</b>
<b>Ireland</b>		0.4	
<b>Japan</b>	92.5		
<b>Singapore*</b>			1

<i>Selected Economy</i>			
<b>Philippines</b>	4.4	5.7	38

<i>Comparator Economies</i>			
<b>Indonesia</b>	13.7	5.5	18
<b>Lao PDR</b>	0.0	no practice	no practice
<b>Malaysia</b>	38.6	2.3	15
<b>Thailand</b>	42.4	2.7	36
<b>Timor-Leste</b>	0.0	no practice	no practice

\* The following economies are also good practice economies for :

**Cost (% of estate): Colombia, Kuwait, Norway**

# Doing Business 2010 Reforms

Number of reforms in Doing Business 2010

Rank	Economy	<div>  Positive Reform            Negative Reform         </div>										Total number of reforms
		Starting a Business	Dealing with Construction Permits	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	
1	Rwanda	✓		✓	✓	✓	✓		✓		✓	7
2	Kyrgyz Republic	✓	✓	✓	✓	✓			✓	✓		7
3	Macedonia, FYR	✓	✓	✓	✓	✓	✓		✓			7
4	Belarus	✓	✓	✓	✓				✓	✓		6
5	United Arab Emirates	✓	✓						✓			3
6	Moldova	✓			✓				✓			3
7	Colombia	✓	✓		✓	✓	✓	✓	✓		✓	8
8	Tajikistan	✓	✓		✗	✓	✓				✓	5
9	Egypt, Arab Rep.	✓	✓			✓				✓		4
10	Liberia	✓	✓						✓			3
	Philippines					✓			✓		✓	3
	Lao PDR								✓			1
	Thailand	✓										1
	Timor-Leste								✓			1
	Malaysia	✓								✓		2
	Indonesia	✓			✓		✓					3

Note: Economies are ranked on the number and impact of reforms, Doing Business selects the economies that reformed in 3 or more of the Doing Business topics. Second, it ranks these economies on the increase in rank in Ease of Doing Business from the previous year. The larger the improvement, the higher the ranking as a reformer.

<b>Belarus</b>	Belarus eased the process for getting construction permits by simplifying approval processes. Restrictions relating to redundancy dismissals were eased by raising the threshold for prior notification requirements. Tax payments were made more convenient through increased use of electronic systems—reducing tax compliance times—while lower ecological and turnover tax rates and a reduction in the number of payments for property tax reduced the tax burden on businesses. Property registration continues to improve, with faster processing and elimination of the requirement for notarization. Business start-up was eased by simplifying registration formalities, abolishing the minimum capital requirement, limiting the role of notaries, and removing the need for a company seal approval. Implementation of a risk-based management system and improvement of border crossing operations reduced transit times for trade.
<b>Colombia</b>	Colombia passed several decrees continuing its efforts to regulate the profession of insolvency administrators. The government eased the construction permit process with a new construction decree that categorizes building projects based on risk and allows electronic verification for certain documents. Access to credit improved thanks to a new credit information law that guarantees the right of borrowers to inspect their own data and new rules that make it mandatory for credit providers to consult and share information with credit bureaus. The tax burden on businesses was eased with the introduction of electronic tax filing and payment, and some payments were reduced. An amendment to the Company Law strengthened investor protections by making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was made easier by making it possible to obtain required certificates online and by making standard preliminary sale agreements available free of charge. Business start-up was made easier by creating a public-private health provider that enables faster affiliation of employees and through a tool that allows online pre-enrollment with the social security office. Implementation of an electronic declaration system has expedited customs clearance.
<b>Egypt, Arab Rep.</b>	The Arab Republic of Egypt, a former global leading reformer and a regional leading reformer in 2008/09, continued to make it easier to deal with construction permits by issuing executive articles for the 2008 construction law and eliminating most preapprovals for construction permits. Contract enforcement was expedited with the creation of commercial courts. Access to credit information has expanded with the addition of retailers to the database of the private credit bureau. Finally, company start-up was eased by the removal of the minimum capital requirement.
<b>Indonesia</b>	Indonesia eased incorporation and post-incorporation processes for new business registration by introducing online services, eliminating certain licenses, making the registry more efficient, and cutting company deed legalization fees, publication fees, registration fees, and business license fees. As a result, 2 procedures and 16 days were cut and the average company start-up cost was reduced by almost 52 percent of gross national income per capita. Property registration also became easier because time limits were introduced for standard procedures at the land registry. In addition, Indonesia increased investor protections by expanding disclosure requirements for related-party transactions.
<b>Kyrgyz Republic</b>	The Kyrgyz Republic eased the process for getting construction permits by streamlining the fee structure, introducing a risk-based system of approval and building control, allowing low-risk projects to conduct an internal building control process, and simplifying the process for obtaining utility connections. Requirements relating to redundancy dismissals and worker reassignment were eased. Access to credit was enhanced by making secured lending more flexible and allowing general descriptions of encumbered assets and of debts and obligations. In addition, amendments to the Civil Code provide for automatic extension of security rights to proceeds of the original assets. The tax burden on businesses was eased by reducing the rates for several taxes and the number of payments for several. Surveying and notarization requirements were made optional for property registration, and business start-up was eased by eliminating the minimum capital requirement, reducing the registration time, and abolishing various post-registration fees and the need to open a bank account before registration. The elimination of six previously required documents and the simplification of inspection procedures has sped up trading across borders.
<b>Lao PDR</b>	The Lao People's Democratic Republic made it easier to pay taxes by consolidating three taxes—business turnover tax, excise tax, and personal income tax withholding—into one simpler form. It also improved the lodgment process and tax office staffing. The compliance time for paying taxes was reduced by 198 hours a year.

<b>Liberia</b>	Liberia eased the process for getting construction permits by lowering the permit fee and cost of obtaining a power generator, abolishing the requirement to obtain a tax waiver certificate before submitting documents to obtain a building permit, and making fixed telephone connections more readily available for public use with the reopening of the national phone company. Business start-up was eased by removing the need to obtain an environmental impact assessment when forming a general trading company. The trade process was expedited by creating a one-stop shop bringing together various ministries and agencies, and streamlining the inspection regime.
<b>Macedonia, FYR</b>	The Former Yugoslav Republic of Macedonia has been reforming the construction permit process, shortening waiting times but raising fees. Worker hiring was made more flexible by allowing greater use of fixed-term contracts, easing restrictions on working hours, and making redundancy dismissals more flexible. The public credit bureau increased its coverage by introducing a better database that includes more information and by lowering the minimum loan threshold. Social security payments were classified in five groups, and social security contribution rates reduced. Investor protections were increased by regulating the approval of transactions between interested parties, increasing disclosure requirements in annual reports, and making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was eased with the introduction of new time limits at the real estate cadastre—reducing the average time to register a title deed by eight days—and a non-encumbrance certificate can now be obtained from the real estate registry instead of through the court. Business start-up was simplified by integrating procedures at a one-stop shop.
<b>Malaysia</b>	Malaysia eased business start-up with a new one-stop shop to streamline registration. In addition, the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) reduced company incorporation charges and corporate fees. The service is still new, and the government is planning a public awareness campaign about the new system. Enforcing contracts through the courts was made easier by increased staff and stricter deadlines that have shortened case filing times from 45 days to 30. In addition, the commercial court has been reorganized to dispose of interlocutory matters more swiftly.
<b>Moldova</b>	Moldova lowered the rates for social security contributions paid by employers. Property registration was simplified by eliminating the requirement for a cadastral sketch, reducing procedures from six to five and days from 48 to 5. Business start-up was eased by implementing an expedited company registration service.
<b>Philippines</b>	The Philippines enhanced access to credit with a new credit information act that regulates the operations and services of a credit information system. The government also cut the corporate income tax rate from 35 percent to 30 percent and promoted reorganization procedures by introducing prepackaged reorganizations and regulating the receiver profession.
<b>Rwanda</b>	Rwanda improved the process for dealing with distressed companies with a new law aimed at streamlining reorganization. Employing workers was made easier by abolishing the maximum duration for fixed-term contracts and allowing unlimited renewals of such contracts, as well as by allowing redundancy procedures to be more flexible, with consultation and notification of third parties no longer required. Getting credit was made easier with a new secured transactions act and insolvency act to make secured lending more flexible, allowing a wider range of assets to be used as collateral and a general description of debts and obligations. In addition, out of court enforcement of collateral has become available to secured creditors, who also now have top priority within bankruptcy. A new company law has strengthened investor protections by requiring greater corporate disclosure, director liability, and shareholder access to information. Property registration was simplified by decreasing the number of days required to transfer a property. Business start-up was eased by eliminating a notarization requirement; introducing standardized memorandums of association; enabling online publication; consolidating name checking, registration fee payment, tax registration, and company registration procedures; and shortening the time required to process completed applications. By implementing administrative changes—such as increased operating hours and enhanced cooperation at the border, along with the removal of some documentation requirements for importers and exporters—Rwanda has improved trading times.

<b>Tajikistan</b>	Tajikistan amended its insolvency law, aiming to reduce statutory time limits and the costs of proceedings. Changes were introduced that simplified the construction permit process, reducing procedures and time. A new law on credit histories improves access to credit information by creating a private credit bureau. Investor protections were strengthened with amendments to the joint stock company law, increasing disclosure requirements for transactions involving conflicts of interest, allowing for greater director liability, and giving shareholders the chance to request that harmful related-party transactions be rescinded. The state duty for property transfer has quadrupled, raising the cost of registering property by 2.8 percent of a property's value. Business start-up was eased by reducing the minimum capital requirement and shortening the time to obtain a tax identification number.
<b>Thailand</b>	Thailand eased business start-up by merging the registration of memorandum and the application for company registration. As a result, it cut 1 procedure and 1 day from company start-up.
<b>Timor-Leste</b>	Timor-Leste adopted a new tax law in July 2008. The law cut the profit tax rate from 30 percent to 10 percent and abolished the alternative minimum tax and the withholding tax on interest. Meanwhile, corporate income tax is now paid in quarterly installments when turnover is less than \$1 million.
<b>United Arab Emirates</b>	The United Arab Emirates shortened the time for delivering building permits by improving its online system for processing applications. Business start-up was eased by simplifying the documents needed for registration, abolishing the minimum capital requirement, and removing the requirement that proof of deposit of capital be shown for registration. Greater capacity at the container terminal, elimination of the terminal handling receipt as a required document, and an increase in trade finance products, have improved trade processes.

## APPENDICES

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### Starting a Business in Philippines

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This table summarizes the procedures and costs associated with setting up a business in Philippines.

#### STANDARDIZED COMPANY

Legal Form: Corporation

Minimum Capital Requirement:

City: Manila

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain bank certificate of deposit of the paid-in capital	1	0
2	Verify the availability of the company name with the Securities and Exchange Commission (SEC)	1	40
3	Register incorporation with the Securities and Exchange Commission	3	3055
4	Obtain community tax certificate (CTC)	1	500
5	Apply for a Barangay (district) clearance	2	800
6	Obtain mayor's permit/municipal license to operate at the Licensing Section of the Mayor's Office	11	9952.72
7	Receive inspection from the Mayor's Office	5	0
8	Buy special books of account at bookstore	1	400
9	Register for taxes at the Bureau of Internal Revenue (BIR)	2	615
10	Payment of documentary stamp taxes	1	94.307
11	Obtain the authority to print receipt/invoices with the Bureau of Internal Revenue (BIR)	1	0
12	Print receipts and invoices at the print shops accredited by the BIR	14	4000
13	Submit receipts and invoices to the BIR for approval, have receipts/invoices and books of accounts stamped by BIR	1	0
14	Initial registration with the Social Security System (SSS) and	7	0

15 Complete registration with SSS and Philippines Health Insurance  
Company (PHIC)

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<b>Procedure</b>	<b>1</b>	<b>Obtain bank certificate of deposit of the paid-in capital</b>
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**Time to complete:** 1

**Cost to complete:** 0

**Comment:** Fees vary from bank to bank. Some banks in Manila do not charge any fee, but others charge up to PHP 105 for each certificate.

<b>Procedure</b>	<b>2</b>	<b>Verify the availability of the company name with the Securities and Exchange Commission (SEC)</b>
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**Time to complete:** 1

**Cost to complete:** 40

**Comment:** The availability of the proposed company name can be verified via the SEC's online verification system at no charge. However, the SEC charges Php40/month upon official reservation of the company name. Within the reserved period, the company must file its application for incorporation. In the event that the reservation period expires without the company filing its application for incorporation, such reservation must be renewed/extended by paying Php40/month failure of which will prevent the company from using such reserved name.

<b>Procedure</b>	<b>3</b>	<b>Register incorporation with the Securities and Exchange Commission</b>
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**Time to complete:** 3

**Cost to complete:** 3055

**Comment:** To register an incorporated company with the Securities and Exchange Commission (SEC), the promoters must file the following documents: the corporate name verification slip; the articles of incorporation and bylaws; the treasurer's affidavit; the bank certificate of deposit; the authority to verify the bank account; the incorporator's tax identification number; affidavit of incorporator or director undertaking to change corporate name , officers, stockholders, and so forth.

Through SEC i-Register, the SEC provides a Web-based, online company registration system and the option to reserve a company name. (Registration forms may be downloaded from the SEC Web site.) Although registration forms may now be downloaded from the SEC website, the registration papers must be filed and the filing fee paid at the SEC office. Applications are submitted for pre-processing evaluation prior to filing.

Whereas the company now obtains a temporary identification number (TIN), in the past, the company obtained the TIN from the Revenue District Office. To obtain the TIN, the company requires a Barangay (district) clearance, a mayor's permit, and a copy of the SEC-issued registration certificate (issued as part of this procedure). Other documents may be required (e.g., homeowner's clearance, lease contract).

As authorized by the Bureau of Internal Revenue (BIR), the SEC now issues pre-generated TINs only if a company's application for registration or incorporation has been approved. Although the SEC issues the TIN, the company must still register with the BIR: this time, to identify applicable tax types, to pay an annual registration fee, to register and stamp the books of accounts, and to obtain sales invoices and receipts.

<b>Procedure</b>	<b>4</b>	<b>Obtain community tax certificate (CTC)</b>
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**Time to complete:** 1

**Cost to complete:** 500

**Comment:** To obtain a Barangay clearance, a company must obtain a community tax certificate. The company is assessed a basic and an additional community tax. The basic community tax rate depends on whether the company legal form is a corporation, partnership, or association (PHP 500 or lower). The additional community tax (not to exceed Php 10,000.00) depends on the assessed value of real property the company owns in the Philippines at the rate of Php2.00 for every Php5,000.00 and on its gross receipts, including dividends or earnings, derived from business activities in the Philippines during the preceding year, at the rate of Php2.00 for every Php5,000.00.

#### **Procedure 5 Apply for a Barangay (district) clearance**

**Time to complete:** 2

**Cost to complete:** 800

**Comment:** No city or municipality may issue any license or permit for any business or activity unless a clearance is first obtained from the Barangay (district) where the business or activity is located or conducted. To obtain a business permit, the applicant submits a business transaction form (BTF) which contains vital information to process the application. The BTF is available in the Business Promotions and Development Office located at ground floor of the Manila City Hall. The accomplished BTF together with the following requirements will be submitted to the Bureau of Permits (BP): Barangay Clearance, SEC Registration, Public Liability Insurance (for restaurants, parlors, cinemas, malls etc) Authorization Letter of owner with ID, Lease Contract/Tax Declaration, SSS (Certification/Clearance) and Community Tax Certificate. The BP personnel encodes the business transaction form details and the requirements for the processing and computation of business permit fee. The BP personnel issues a computer generated Business Identification Number (BIN) slip to the applicant. The applicant proceeds to the License Division of the City Treasurer's Office for computation and assessment of Business tax and Regulatory Fees. The applicant presents the issued BIN to the licensing officer on duty. The latter then compute and generate the License and Regulatory Fees Form (LRF) which shall be given to the applicant. The applicant then proceeds to the cashier and presents the issued LRF Form. The cashier receives and records payment of the applicant and validates the LRF Form which serves as the official receipt. The applicant then goes back to the business transaction office. After verifying that payment has been made, a BP personnel generates the Business Permit and secures the approval and signature of the Dept Head of the BP. Upon approval, the BP personnel releases the Business Permit to the applicant.

The fee charged by the Barangay depends on the company's paid-up capital and the land area it occupies—a PHP 500 minimum plus PHP 300 for the Barangay clearance plate.

#### **Procedure 6 Obtain mayor's permit/municipal license to operate at the Licensing Section of the Mayor's Office**

**Time to complete:** 11

**Cost to complete:** 9952.72

**Comment:** An application for business permit begins with the filing with the Bureau of Permits, City Mayor's Office, Manila City Hall. The following documents (original and photocopies) are required: Taxpayers identification number (TIN), BIR-issued certificate of registration (COR) and a proof of payment of annual registration fees paid to BIR. The Bureau then classifies the business and identifies the agencies/units/offices whose endorsement/approval would be required for the processing of the permit. The application would then be forwarded to the appropriate agencies involved for their approval. An inspection of the business location is also conducted. Upon completion of all necessary approvals/endorsements from the various government departments/units/agencies, the

Bureau issues the Business Permit which shall then be forwarded to the Licensing Section of the City Treasurer's Office for assessment and collection of taxes and other fees (i.e.garbage fee, etc.) The Licensing Division generates a Statement of Account showing a breakdown of all applicable local (business) taxes and charges. The Business Permit and License are released upon payment of taxes and other applicable charges.

#### **Procedure 7 Receive inspection from the Mayor's Office**

**Time to complete:** 5

**Cost to complete:** 0

**Comment:** The Mayor's Office conducts an inspection to verify that the company will conduct the activity stated in the application for business permit. There is no need to set an appointment for this inspection. The inspection generally occurs within the first 5 days of filing the application for the operating permit.

#### **Procedure 8 Buy special books of account at bookstore**

**Time to complete:** 1

**Cost to complete:** 400

**Comment:** To register with the Bureau of Internal Revenue, promoters must purchase special books of account, available at bookstores nationwide. One set (of four books, the cash receipts account, the disbursements account, the ledger, and the general journal) may cost about PHP 400.

#### **Procedure 9 Register for taxes at the Bureau of Internal Revenue (BIR)**

**Time to complete:** 2

**Cost to complete:** 615

**Comment:** After the taxpayer obtains the TIN, the company must pay the annual registration fee of PHP 500 at any duly accredited bank, using payment form BIR Form 0605). To register the BIR taxpayer must first accomplish BIR Form 1903 and submit the same together with the required attachments to the Revenue District Office having jurisdiction over the registered address of the business establishment. In the Philippines, companies may be assessed various taxes: VAT, a community tax, a local tax, and income tax. When a company registers as a taxpayer, it must indicate in the application the types of taxes it expects to be liable for, including VAT.

#### **Procedure 10 Payment of documentary stamp taxes**

**Time to complete:** 1

**Cost to complete:** 94.307

**Comment:** Section 174 of the National Internal Revenue Code, as amended, requires the payment of documentary stamp taxes on the original issuance of shares of stock at the rate of PHP1 on each PHP 200 or a fractional part thereof of the par value of the shares of stock. payment must be made the 5th of the month following the date of issuance of said registration certificate or issuance of shares.

#### **Procedure 11 Obtain the authority to print receipt/invoices with the Bureau of Internal Revenue (BIR)**

**Time to complete:** 1

**Cost to complete:** 0

**Comment:** The authority to print receipts or invoices must be secured by the printer before the sales invoices or receipts may be printed. Philippine law does not require a company to print its official invoice forms at designated print shops. If a company has secured the authority to print receipts and invoices, it can ask any authorized printing company to print its official invoice forms. However, if a company wants to print its own invoice forms (as detailed in Procedure 9), the company must obtain a special permit from the Bureau of Internal Revenue.

According to requirements stipulated by the Large Taxpayer Service, new taxpayers must submit the following documents to the Revenue District Office or the office with jurisdiction over the taxpayer's head office:

- Duly completed application for authority to print receipts and invoices (BIR Form 1906)
- Job order.
- Final and clear sample of receipts and invoices (machine-printed).
- Application for registration (BIR Forms 1901 or 1903).
- TRU form or photocopy of TIN card.
- Proof of payment of annual registration fee (BIR Form 0605).

## **Procedure 12      Print receipts and invoices at the print shops accredited by the BIR**

**Time to complete:** 14

**Cost to complete:** 4000

**Comment:** The minimum print number is 25 booklets.

## **Procedure 13      Submit receipts and invoices to the BIR for approval, have receipts/invoices and books of accounts stamped by BIR**

**Time to complete:** 1

**Cost to complete:** 0

**Comment:** In practice, the books of accounts are presented for stamping upon filing the application. These books can be obtained from Bureau of Internal Revenue (BIR).

To register books of account and invoices, founders must present the following documents:

- All required books of accounts.
- VAT registration certificate.
- SEC registration certificate.
- BIR Form W-5.

According to the Revenue Regulation No. 26-03 dated September 18, 2003, in lieu of the usual stamping of BIR registration on every booklet of manually-printed receipts and invoices to confirm or signify registration, the printer indicated in the BIR duly approved "Authority to Print Receipts and/or Invoices" (ATP) shall issue to the taxpayer a duly stamped BIR-registered "Printer's Certificate of Delivery of Receipts and Invoices" (PCD) for printed receipts and invoices which shall be made available and ready for inspection anytime by duly authorized revenue personnel. The above-mentioned certificate may be issued either on a "one-time basis" for full delivery of ordered receipts/invoices or on a "piece-meal basis" in case of partial delivery, in which latter case, the corresponding PCD shall be issued to the taxpayer every time a delivery of the ordered receipts/invoices is made. Consequently, manually-printed receipts/invoices are deemed duly registered receipts or invoices as required under Section 237 of the National Internal Revenue Code of 1997 only if they are covered by a duly approved and issued "Authority to Print Receipts and/or Invoices" and BIR-registered "Printer's Certificate of Delivery of Receipts and Invoices. No receipt or sales/commercial invoice shall be issued by a seller to any customer or client unless the former has received his copy of the duly

stamped BIR-Registered “Printer’s Certificate of Delivery of Receipts and Invoices” indicating the inclusive serial numbers of the receipts/invoices printed and delivered and the due dates of submission of the copy of the PCD to the concerned BIR offices.

Within thirty (30) days from issuance of the PCD, the taxpayer or the printer, as the case may be, shall submit to the concerned BIR office that has jurisdiction over the taxpayer-user’s principal place of business the triplicate copy of the PCD, together with the certified photocopy of approved ATP and the taxpayer’s Sworn Statement enumerating responsibilities and commitments of the taxpayer-user. One copy thereof shall likewise be submitted to the BIR Revenue District Office that has jurisdiction over the principal place of business of the printer.

#### **Procedure 14 Initial registration with the Social Security System (SSS) and**

**Time to complete:** 7

**Cost to complete:** 0

**Comment:** Under the new single registration process, the employer is required to register with the SSS using the business registration form or BR-1. registration with SSS automatically causes registration with Philhealth thus the employer shall no longer be required to go to philhealth for registration as registration with . Based on BR-1 submission, the SSS shall encode the employer details and issue the following: SSS employer number, together with the employer's copy of the processed Br-1,SSS information Brochure, employer identification card and list of employer obligations and post-registration requireemnts.

#### **Procedure 15 Complete registration with SSS and Philippines Health Insurance Company (PHIC)**

**Time to complete:** 1

**Cost to complete:** 0

**Comment:** After initial registration, the employer submits within 30 days from the issuance of employer number by SSS and Philhealthh the following:  
To SSS- employment report (SS form R-1A), specimen signiture card (SS form L-501), sketch of business address and validated miscellaneous payment return form (SS form R-6) or special bank receipt, showing payment for the employer registration plate, if not paid upon initial registration.  
To philhealth: member registration forms for each employee with the required supporting documents.

## Dealing with Construction Permits in Philippines

The table below summarizes the procedures, time, and costs to build a warehouse in Philippines.

### BUILDING A WAREHOUSE

Date as of: January 2009

Estimated Warehouse Value:

City: Manila

### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain certified true copy of land title	5 days	PHP 72
2 *	Obtain certified true copy of land title tax declaration of real property	1 day	PHP 60
3 *	Obtain lot plan with site map	3 days	PHP 1,000
4	Obtain location clearances from Barangay	2 days	PHP 100
5	Obtain location clearances from Mayor	20 days	PHP 2,296
6	Obtain building permit	65 days	PHP 39,733
7	Notarize building permit	1 day	PHP 200
8	Request fire safety inspection from Bureau of fire prevention	1 day	no charge
9	Receive fire safety inspection	1 day	no charge
10	Obtain fire safety inspection certificate	14 days	PHP 19,500
11 *	Request final electrical inspection from city electrical engineer	1 day	no charge
12 *	Receive final electrical inspection	1 day	no charge
13 *	Obtain electrical inspection certificate	1 day	PHP 600
14 *	Request certificate of occupancy	1 day	no charge
15 *	Receive final inspection from city building official	1 day	no charge

16 *	Obtain certificate of occupancy	10 days	PHP 3,122
17	Request electricity connection from MERALCO	1 day	no charge
18	Receive electricity inspection	1 day	no charge
19	Obtain electricity connection from MERALCO	90 days	no charge
20	Request water and sewage connection from Maynilad Water Services, Inc (Maynilad)	1 day	PHP 6,411
21	Receive inspection	1 day	no charge
22 *	Obtain permanent water and sewage connection from Maynilad Water Services, Inc (Maynilad)	30 days	no charge
23 *	Obtain fixed telephone line	5 days	PHP 1,500
24	Submit tax declaration of improvement	1 day	no charge

\* Takes place simultaneously with another procedure.

<b>Procedure</b>	<b>1</b>	<b>Obtain certified true copy of land title</b>
<b>Time to complete:</b>	5 days	
<b>Cost to complete:</b>	PHP 72	
<b>Comment:</b>	The company must obtain a certified true copy of the land title (transfer certificate of title) as proof of ownership of the land on which the warehouse is to be built. This document can be obtained at the Register of Deeds.	
<b>Procedure</b>	<b>2</b>	<b>Obtain certified true copy of land title tax declaration of real property</b>
<b>Time to complete:</b>	1 day	
<b>Cost to complete:</b>	PHP 60	
<b>Comment:</b>	The company must obtain a certified true copy of the land title (tax declaration of real property) so that it can identify the property by its index number. This document can be obtained from the Assessor's Office.	
<b>Procedure</b>	<b>3</b>	<b>Obtain lot plan with site map</b>
<b>Time to complete:</b>	3 days	
<b>Cost to complete:</b>	PHP 1,000	
<b>Comment:</b>	<p>The company must obtain the lot plan with site map from a geodetic engineer to confirm that the bearings and location of the land are as specified in the land title.</p> <p>A lot plan with site map is signed, sealed, and prepared after a meticulous geodetic survey, or at least after an analysis of the lot technical description appearing on the title, has been conducted. The associated cost is PHP 1,000 per geodetic lot plan with site map.</p>	
<b>Procedure</b>	<b>4</b>	<b>Obtain location clearances from Barangay</b>
<b>Time to complete:</b>	2 days	
<b>Cost to complete:</b>	PHP 100	
<b>Comment:</b>	These clearances are needed to confirm that the intended land use is compliant with the barangay's zoning ordinances.	
<b>Procedure</b>	<b>5</b>	<b>Obtain location clearances from Mayor</b>
<b>Time to complete:</b>	20 days	
<b>Cost to complete:</b>	PHP 2,296	
<b>Comment:</b>	<p>Location clearances are needed to confirm that the intended land use conforms to the local government's zoning ordinances. The time to complete the construction may be shorter if the warehouse is built in an industrial area.</p> <p>The cost of the clearances may vary from one local government unit to the other. Under the Quezon City Revenue Code, the charges would include (according to Section 138):</p> <ul style="list-style-type: none"> <li>- An application (filing) fee of PHP 45.</li> <li>- A zoning and land use verification fee of PHP 300.</li> <li>- A processing fee of PHP 1.50 per sq. m., or a total of PHP 1,950 for an area of 1,300 sq. m., in the case considered here.</li> </ul>	



<b>Procedure</b>	<b>6</b>	<b>Obtain building permit</b>
<b>Time to complete:</b>	65 days	
<b>Cost to complete:</b>	PHP 39,733	
<b>Comment:</b>	<p>The company must obtain the building permit along with the electrical, sanitary, and mechanical permits, all issued by the building official who would have approved the design, plans, and technical specifications of the project and ensured that they are compliant with the design codes, and safety laws and regulations.</p> <p>To obtain the building permit, the company must submit all required documentation. When submitting the application, BuildCo must ensure (by checking at each desk) that all documents have been included. If not, the application cannot be filed. Otherwise, if the file is complete, obtaining a building permit would take no longer than a week after the submission date. The building official has discretionary power and can delay the application if they liked.</p> <p>According to the Quezon City Revenue Code, the costs of obtaining a building permit are as follows:</p> <ul style="list-style-type: none"> <li>- A nonrefundable filing fee of PHP 600 for projects costing more than PHP 1 million (Section 100).</li> <li>- A location-with-respect-to-abutment-to-street-specific charge for establishment of line and grade, ranging from nothing to about PHP 115 (Section 101).</li> <li>- An inspection fee of PHP 200.</li> <li>- A design-specific fee for excavation for foundation, such as footing, of PHP 2 per cubic meter.</li> <li>- A construction fee of PHP 18 per square meter of floor area for projects with areas ranging from 20 sq. m. to 6,000 sq. m. (that is, a total construction fee of PHP 23,000 for a 1,300 sq. m. area in this case) (Section 102).</li> </ul>	
<b>Procedure</b>	<b>7</b>	<b>Notarize building permit</b>
<b>Time to complete:</b>	1 day	
<b>Cost to complete:</b>	PHP 200	
<b>Comment:</b>	<p>The applications mentioned in the previous procedure should be duly notarized. While submitting the application itself may be free of charge, the notarization could cost about PHP 200, fixed and based on a Supreme Court circular strictly regulating the practice of notaries.</p>	
<b>Procedure</b>	<b>8</b>	<b>Request fire safety inspection from Bureau of fire prevention</b>
<b>Time to complete:</b>	1 day	
<b>Cost to complete:</b>	no charge	
<b>Comment:</b>	<p>In the City of Manila, a fire safety clearance is also required. However, no fee is assessed based on the building plans and no payment is required yet at the time of submission of the application for a building permit. The City of Manila issues the building permit with only a notation that the construction covered by such permit shall be subject to a fire safety inspection later on after the building/structure has been completed.</p> <p>Thus, the evaluation/inspection by the responsible officer of the Bureau of Fire Protection unit in the city is done only after the construction has been completed and at the time the owner is already applying for the certificate of occupancy or occupancy permit. The fee to be paid for the fire safety clearance is 0.1% of the total construction cost of the building, or in this case, of the warehouse.</p>	

<b>Procedure</b>	<b>9</b>	<b>Receive fire safety inspection</b>
<b>Time to complete:</b>	1 day	
<b>Cost to complete:</b>	no charge	
<b>Comment:</b>	see procedure 8 comment	
<b>Procedure</b>	<b>10</b>	<b>Obtain fire safety inspection certificate</b>
<b>Time to complete:</b>	14 days	
<b>Cost to complete:</b>	PHP 19,500	
<b>Comment:</b>	see procedure 8 comment	
<b>Procedure</b>	<b>11</b>	<b>Request final electrical inspection from city electrical engineer</b>
<b>Time to complete:</b>	1 day	
<b>Cost to complete:</b>	no charge	
<b>Comment:</b>	In the City of Manila, the electrical inspection certificate is one of the documents required to be submitted when one applies for the issuance of a certificate of occupancy or occupancy permit. Thus, this means that the electrical inspection has to be conducted first in order to determine whether or not the electrical installation in a building or structure has been completed in accordance with the approved plans and specification on file with the Building Official and that the same is in accordance with the Philippine Electrical Code provisions. For the electrical inspection, the electrical engineer of the city government concerned usually conducts the inspection	
<b>Procedure</b>	<b>12</b>	<b>Receive final electrical inspection</b>
<b>Time to complete:</b>	1 day	
<b>Cost to complete:</b>	no charge	
<b>Comment:</b>	see procedure 11 comment	
<b>Procedure</b>	<b>13</b>	<b>Obtain electrical inspection certificate</b>
<b>Time to complete:</b>	1 day	
<b>Cost to complete:</b>	PHP 600	
<b>Comment:</b>	see procedure 11 comment	
<b>Procedure</b>	<b>14</b>	<b>Request certificate of occupancy</b>
<b>Time to complete:</b>	1 day	

**Cost to complete:** no charge

**Comment:** Upon completion of the construction, BuildCo's licensed architect or civil engineer shall submit the logbook kept throughout construction (required by section 308, 4 of the Building Code), duly signed and sealed, to the Building Official. The architect must prepare and submit a "duly notarized" Certificate of Completion of the project stating that the construction of building conforms to the provisions of the Code as well as with the approved plans and specifications.

#### **Procedure 15 Receive final inspection from city building official**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** The OBO undertakes the final inspection, verification and/or review of the building/structure based on the Certificate of Completion, construction logbook, building inspection sheets, original and as-built plans and specifications, as the case may be and specifications on the prescribed standard form according to the requirements set forth under Section 303.

#### **Procedure 16 Obtain certificate of occupancy**

**Time to complete:** 10 days

**Cost to complete:** PHP 3,122

**Comment:**

#### **Procedure 17 Request electricity connection from MERALCO**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** Upon application for electricity with Manila Electric Railroad and Light Company or MERALCO, the electrical engineer of MERALCO will conduct inspection and review the electrical plans of the proposed warehouse. Application to actual inspection would take 2 weeks with no cost. The cost reflected above is only the installation cost and service deposit. This amount, however, is refunded upon termination of contract.

BuildCo must purchase 3 50 KVA transformers at a cost of PHP 106,850 per transformer (three needed) and is refunded upon termination of contract. The service deposit of PHP 138,580 is refundable after the first year through monthly deductions to the electricity bill computed at 25% of the applicant's annual gross distribution revenue.

#### **Procedure 18 Receive electricity inspection**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:**

#### **Procedure 19 Obtain electricity connection from MERALCO**

<b>Time to complete:</b>	90 days
<b>Cost to complete:</b>	no charge
<b>Comment:</b>	The electric company is Manila Electric Company (Meralco). The company visits Meralco to request the connection and submit the certificate of electrical inspection and electrical plans. Meralco conducts an inspection of the warehouse and in the following weeks the technical staff visit the site for the electricity connection. The cost of the transformers is PHP 106,850 per transformer (two needed). The service deposit is PHP 138,580. Both the transformer and service deposit are refundable after the first year through annual deductions to the electricity bill or through checks computed at 25% of the applicant's annual gross distribution revenue.

<b>Procedure</b>	<b>20</b>	<b>Request water and sewage connection from Maynilad Water Services, Inc (Maynilad)</b>
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<b>Time to complete:</b>	1 day
<b>Cost to complete:</b>	PHP 6,411
<b>Comment:</b>	The electricity company installs permanent power (meter included) upon submission by BuildCo of the certificate of occupancy.

<b>Procedure</b>	<b>21</b>	<b>Receive inspection</b>
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<b>Time to complete:</b>	1 day
<b>Cost to complete:</b>	no charge
<b>Comment:</b>	

<b>Procedure</b>	<b>22</b>	<b>Obtain permanent water and sewage connection from Maynilad Water Services, Inc (Maynilad)</b>
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<b>Time to complete:</b>	30 days
<b>Cost to complete:</b>	no charge
<b>Comment:</b>	The water company installs a permanent water connection (meter included) upon submission by BuildCo of the certificate of occupancy.

<b>Procedure</b>	<b>23</b>	<b>Obtain fixed telephone line</b>
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<b>Time to complete:</b>	5 days
<b>Cost to complete:</b>	PHP 1,500
<b>Comment:</b>	Utility companies install a permanent telephone connection upon submission of the certificate of occupancy.

<b>Procedure</b>	<b>24</b>	<b>Submit tax declaration of improvement</b>
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<b>Time to complete:</b>	1 day
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**Cost to complete:** no charge

**Comment:** BuildCo must update the land plot entry in the official records to include the newly built warehouse for tax purposes. No inspection takes place; the assessor relies on the valuation of the building listed in the certificate of occupancy.

## Employing Workers in Philippines

Employing workers indices are based on responses to survey questions. The table below shows these responses in Philippines.

Employing Workers Indicators (2009)	Answer	Score
<b>Difficulty of hiring index (0-100)</b>		<b>55.6</b>
Are fixed-term contracts prohibited for permanent tasks?	Yes	1
What is the maximum duration of fixed-term contracts (including renewals)? (in months)	No limit	0.0
What is the ratio of mandated minimum wage to the average value added per worker?	0.64	0.67
<b>Difficulty of redundancy index (0-10)</b>		<b>30.0</b>
Is the termination of workers due to redundancy legally authorized?	Yes	0
Must the employer notify a third party before terminating one redundant worker?	Yes	1
Does the employer need the approval of a third party to terminate one redundant worker?	No	0
Must the employer notify a third party before terminating a group of 9 redundant workers?	Yes	1
Does the employer need the approval of a third party to terminate a group of 9 redundant workers?	No	0
Is there a retraining or reassignment obligation before an employer can make a worker redundant?	No	0
Are there priority rules applying to redundancies?	Yes	1
Are there priority rules applying to re-employment?	No	0
<b>Redundancy costs (weeks of salary)</b>		<b>91.0</b>
What is the notice period for redundancy dismissal after 20 years of continuous employment? (weeks of salary)		4.3
What is the severance pay for redundancy dismissal after 20 years of employment? (weeks of salary)		86.7
What is the legally mandated penalty for redundancy dismissal? (weeks of salary)		0.0
<b>Rigidity of employment index (0-100)</b>		<b>28.5</b>
<b>Rigidity of hours index (0-100)</b>		<b>0.0</b>
Can the workweek extend to 50 hours (including overtime) for 2 months per year to respond to a seasonal increase in production?	Yes	0

What is the maximum number of working days per week?	6	0
Are there restrictions on night work and do these apply when continuous operations are economically necessary?	No	0.00
Are there restrictions on "weekly holiday" work and do these apply when continuous operations are economically necessary?	No	0.00
What is the paid annual vacation (in working days) for an employee with 20 years of service?	5	0

Note: The first three indices measure how difficult it is to hire a new worker, how rigid the regulations are on working hours, and how difficult it is to dismiss a redundant worker. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The overall Rigidity of Employment Index is an average of the three indices.

## Registering Property in Philippines

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This topic examines the steps, time, and cost involved in registering property in Philippines.

### *STANDARDIZED PROPERTY*

Property Value: 4,565,795.15

City: Manila

#### **Registration Requirements:**

No:	Procedure	Time to complete	Cost to complete
1	Preparation of the deed of sale and ratification by notary public	1 day	1.5% property value, including PHP 100 for notarization alone
2	Obtain a certified true copy of latest tax declaration from the Assessor's Office of Manila	1 day	PHP 100
3	Payment of Documentary Stamp Tax and Capital Gains Tax at an authorized bank	1 day	1.5% of property value (Documentary Stamp Tax)
4	Obtain tax clearance (or Certificate Authorizing Registration) from the Bureau of Internal Revenue	Up to 14 days	PHP 115
5	Obtain a tax clearance certificate of Real Estate Taxes from the Treasurer's Office of Manila	1-3 days	PHP 75
6	Payment of transfer tax at the Treasurer's Office of Manila	1 day	0.75% of property price (transfer tax) + PHP 12 (certificate of payment)
7	Apply with the Assessor's Office of Manila for the issuance of a new tax declaration over the building in the name of buyer	3 days	no cost



8	Apply for registration with the Register of Deeds of Manila	About 10 days	PHP 8,796 for properties with a value up to PHP 1,700,000 + PHP 90 for every PHP 20,000 (or fraction thereof) in excess of PHP 1,700,000 + PHP 30.00 (Registry Entry Fee) + PHP 60.00 (transfer certificate of title) + PHP 240 for submission of secretary's certificates of buyer and seller + PHP 240 for submission of the articles of incorporation and by-laws of the buyer only + PHP 177 legal research fee
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<b>Procedure</b>	<b>1</b>	<b>Preparation of the deed of sale and ratification by notary public</b>
<b>Time to complete:</b>	1 day	
<b>Cost to complete:</b>	1.5% property value, including PHP 100 for notarization alone	
<b>Comment:</b>	Anyone can prepare the document, however, the deed of sale must be ratified before the notary public and it is common for him to draft it and conduct the whole process on behalf of the parties.	
<b>Procedure</b>	<b>2</b>	<b>Obtain a certified true copy of latest tax declaration from the Assessor's Office of Manila</b>
<b>Time to complete:</b>	1 day	
<b>Cost to complete:</b>	PHP 100	
<b>Comment:</b>	The seller obtains a certified true copy of the latest tax declaration from the Assessor's Office of Manila.	
<b>Procedure</b>	<b>3</b>	<b>Payment of Documentary Stamp Tax and Capital Gains Tax at an authorized bank</b>
<b>Time to complete:</b>	1 day	
<b>Cost to complete:</b>	1.5% of property value (Documentary Stamp Tax)	
<b>Comment:</b>	<p>The seller files the Documentary Stamp Tax return and Capital Gains Tax return with the authorized agent bank in the Revenue District of Manila. This is done within 5 days after the close of the month when the taxable document was signed or within 30 days after the sale, whichever is earlier. The taxes are paid at the authorized bank to the account of the Bureau of Internal Revenue. The Capital Gains Tax is 6% of capital gains based on selling price, fair market value or zonal value, whichever is higher.</p> <p>The Documentary Stamp Tax is 1.5% based on selling price or fair market value, whichever is higher.</p> <p>The documentation shall include:  Original copy and photocopy of notarized deed of sale of building (obtained in Procedure 1)  Certified true copy of transfer certificate of title (in the name of seller)  Certified true copy of latest tax declaration (in the name of seller) (obtained in Procedure 2)  Photocopy of the latest realty tax receipt  Letter-request  Identification card of the person requesting</p>	
<b>Procedure</b>	<b>4</b>	<b>Obtain tax clearance (or Certificate Authorizing Registration) from the Bureau of Internal Revenue</b>
<b>Time to complete:</b>	Up to 14 days	
<b>Cost to complete:</b>	PHP 115	
<b>Comment:</b>	After paying the taxes in Procedure 3, the seller must obtain a tax clearance (or Certificate Authorizing Registration) from the Bureau of Internal Revenue. This certificate will authorize the registration of the property.	

The documentation shall include:

Certified true copy of transfer certificate of title (in the name of seller)

Certified true copy of latest tax declaration (in the name of seller) (obtained in Procedure 2)

Tax identification numbers

<b>Procedure</b>	<b>5</b>	<b>Obtain a tax clearance certificate of Real Estate Taxes from the Treasurer's Office of Manila</b>
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**Time to complete:** 1-3 days

**Cost to complete:** PHP 75

**Comment:** The seller, after paying any due amounts, obtains a tax clearance certificate from the Treasurer's Office of the Local Government Unit (Manila).  
The documentation shall include: an original of the official receipt evidencing payment by seller of realty taxes.

<b>Procedure</b>	<b>6</b>	<b>Payment of transfer tax at the Treasurer's Office of Manila</b>
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**Time to complete:** 1 day

**Cost to complete:** 0.75% of property price (transfer tax) + PHP 125 (certificate of payment)

**Comment:** The transfer tax must be paid at the Treasurer's Office of Manila.

The documentation shall include:

Certificate Authorizing Registration from the Bureau of Internal Revenue (obtained in Procedure 4)

Realty tax clearance from the Treasurer's Office of Manila (obtained in Procedure 5)

Official receipt of the Bureau of Internal Revenue (for documentary stamp tax) (obtained in Procedure 4)

<b>Procedure</b>	<b>7</b>	<b>Apply with the Assessor's Office of Manila for the issuance of a new tax declaration over the building in the name of buyer</b>
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**Time to complete:** 3 days

**Cost to complete:** no cost

**Comment:** The buyer applies with the Assessor's Office of Manila for the issuance of a new tax declaration over the building in his name.

The documentation shall include:

Photocopy of notarized deed of sale of building (obtained in Procedure 1)

Certified true copy of latest tax declaration (in the name of seller) (obtained in Procedure 2)

Certificate authorizing registration from the Bureau of Internal Revenue (obtained in Procedure 4)

Realty tax clearance from the Treasurer's Office of Manila (obtained in Procedure 5)

Photocopy of official receipt of transfer tax payment (original copy to be presented) (obtained in Procedure 6)

<b>Procedure</b>	<b>8</b>	<b>Apply for registration with the Register of Deeds of Manila</b>
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<b>Time to complete:</b>	About 10 days
<b>Cost to complete:</b>	PHP 8,796 for properties with a value up to PHP 1,700,000 + PHP 90 for every PHP 20,000 (or fraction thereof) in excess of PHP 1,700,000 + PHP 30.00 (Registry Entry Fee) + PHP 60.00 (transfer certificate of title) + PHP240 for submission of secretary's certificates of the buyer and seller + PHP240 for submission of the articles of incorporation and by-laws of the buyer only + PHP177 legal research fee
<b>Comment:</b>	<p>The buyer applies for registration with the Register of Deeds of Manila.</p> <p>The following internal steps take place after the application is submitted:</p> <ol style="list-style-type: none"> <li>1. The Entry clerk receives and enters all documents in the primary Entry Book (Judicial form No. 39) and notes therein the day, hour and minute of reception of all instrument in the order in which they are received.</li> <li>2. Documents are then brought to the Registrar of Deeds (RD) or Deputy Register of Deeds for assignment.</li> <li>3. Documents/Titles are assigned by the RD to the Land Registration Examiner (LRE) who prepares computation and order of payment of registration fees.</li> <li>4. Pay registration fee to the cashier, who shall issue official receipt. Fixed fees are computed based on a schedule of Fees approved by the Department of Justice.</li> <li>5. Upon the payment of the fees, the document is forwarded to the LRE who reviews the same and determines whether or not it is ready to register. The owner's copy of the title is compared to the title on file, produced by Records Officer/Vault keeper.</li> <li>6. If the instrument is not ready to be registered, the LRE recommends its denial to the RD. If the instrument is ready, the LRE likewise recommends to the RD the registration of the document through a routing slip.</li> <li>7. RD reviews examination, and once same is approved, assigns documents to clerk for action, with instruction on the route slip.</li> <li>8. If the transaction involves issuance of title, Records Officer/Judicial Form Custodian records the transaction in the logbook releases sets of title forms (judicial form) and assigns the corresponding title control number to the set of titles issued to the action clerk.</li> <li>9. Assigned employee acts on the documents, as instructed.</li> <li>10. Final registration – RD signs titles and documents.</li> <li>11. Release of documents – by the releasing clerk to the buyer who should be ready with ID and copies of official receipts of the registration fees.</li> </ol> <p>The documentation shall include:</p> <ul style="list-style-type: none"> <li>Articles of incorporation and by-laws of the buyer</li> <li>Secretary's certificate containing the resolution of the board of directors of buyer approving the sale</li> <li>Original copy of owner's duplicate of the transfer certificate of title (in the name of seller)</li> <li>Certificate authorizing registration from the Bureau of Internal Revenue (obtained in Procedure 4)</li> <li>Realty tax clearance from the Treasurer's Office of Manila (obtained in Procedure 5)</li> <li>Official receipt of transfer tax payment (obtained in Procedure 6)</li> <li>Official receipts of the Bureau of Internal Revenue (for capital gains tax and documentary stamp tax) (obtained in Procedure 3)</li> </ul>

## Getting Credit in Philippines

The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Philippines.

Getting Credit Indicators (2009)			Indicator
			<u>score</u>
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	3
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative data distributed?	No	No	0
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	Yes	No	1
Is data on all loans below 1% of income per capita distributed?	Yes	No	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	No	0
<b>Coverage</b>		6.1	0.0
Number of individuals		..	0
Number of firms		..	0

Strength of legal rights index (0-10)	3
Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?	Yes
Does the law allow businesses to grant a non possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets ?	No
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of the secured assets ?	No
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?	No
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?	No
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?	No
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?	Yes
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?	No

During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?

No

Does the law authorize parties to agree on out of court enforcement?

Yes

## Protecting Investors in Philippines

The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Philippines.

Protecting Investors Data (2009)	Indicator
<b>Extent of disclosure index (0-10)</b>	<b>2</b>
What corporate body provides legally sufficient approval for the transaction? (0-3; see notes)	0
Immediate disclosure to the public and/or shareholders (0-2; see notes)	1
Disclosures in published periodic filings (0-2; see notes)	1
Disclosures by Mr. James to board of directors (0-2; see notes)	0
Requirement that an external body review the transaction before it takes place (0=no, 1=yes)	0
<b>Extent of director liability index (0-10)</b>	<b>2</b>
Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company. (0-2; see notes)	0
Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company. (0-2; see notes)	0
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff (0-2; see notes)	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	1
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	0
Whether fines and imprisonment can be applied against Mr. James (0=no, 1=yes)	0
Shareholder plaintiff's ability to sue directly or derivatively for damage the transaction causes to the company (0-1; see notes)	1
<b>Ease of shareholder suits index (0-10)</b>	<b>8</b>
Documents available to the plaintiff from the defendant and witnesses during trial (0-4; see notes)	3
Ability of plaintiffs to directly question the defendant and witnesses during trial (0-2; see notes)	2
Plaintiff can request categories of documents from the defendant without identifying specific ones (0=no, 1=yes)	0
Shareholders owning 10% or less of Buyer's shares can request an inspector investigate the transaction (0=no, 1=yes)	1

Level of proof required for civil suits is lower than that for criminal cases (0=no, 1=yes) 1

Shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit (0=no, 1=yes) 1

**Strength of investor protection index (0-10)** 4.0

**Notes:**

**Extent of Disclosure Index**

*What corporate body provides legally sufficient approval for the transaction?*

0=CEO or managing director alone; 1=shareholders or board of directors vote and Mr. James can vote; 2=board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote

*Immediate disclosure to the public and/or shareholders*

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

*Disclosures in published periodic filings*

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

*Disclosures by Mr. James to board of directors*

0=none; 1=existence of a conflict without any specifics; 2= full disclosure of all material facts

**Director Liability Index**

*Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company*

0= Mr. James is not liable or liable only if he acted fraudulently or in bad faith; 1= Mr. James is liable if he influenced the approval or was negligent; 2= Mr. James is liable if the transaction was unfair, oppressive or prejudicial to minority shareholders

*Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company*

0=members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1=liable for negligence in the approval of the transaction; 2=liable if the transaction is unfair, oppressive, or prejudicial to minority shareholders

*Whether a court can void the transaction upon a successful claim by a shareholder plaintiff*

0=rescission is unavailable or available only in case of Seller's fraud or bad faith; 1=available when the transaction is oppressive or prejudicial to minority shareholders; 2=available when the transaction is unfair or entails a conflict of interest

*Shareholder plaintiffs' ability to sue directly or derivatively for damage the transaction causes to the company*

0=not available; 1=direct or derivative suit available for shareholders holding 10% of share capital or less

**Shareholder Suits Index**

*Documents available to the plaintiff from the defendant and witnesses during trial*

Score 1 each for (1) information that the defendant has indicated he intends to rely on for his defense; (2) information that directly proves specific facts in the plaintiff's claim; (3) any information that is relevant to the subject matter of the claim; and (4) any information that may lead to the discovery of relevant information.

*Ability of plaintiffs to directly question the defendant and witnesses during trial*

0=no; 1=yes, with prior approval by the court of the questions posed; 2=yes, without prior approval



## Paying Taxes in Philippines

The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Philippines, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Tax on insurance contracts	1			P 0.5 per each P 4	insurance premium		
Value added tax (VAT)	1	online filing	120	12%	value added		
Stamp duty	1			various rates	contract value		
Tax on check transactions	1			P 1.5 per check	number of checks	0.01	
BIR certificate	0	paid jointly		fixed fee (P 500)		0.01	
vehicle tax	1			basic fee + 24%	vehicle's weight	0.13	
Employer's compensation	0	paid jointly		10P	per employee per month	0.17	
Environmental tax	1			P10,000		0.24	
community tax certificate	1			fixed fee (P 10,500)		0.25	
Tax on interest	1			20%	interest	0.51	
Health insurance	12			1.12% -1.25%	gross salaries	1.74	
Housing development fund	12			2% or P100 per worker	gross salaries	1.74	
Real property tax	1			2%	assessed property value	4.24	
Social security contributions	12		38	7.02% to 7.45%	gross salaries	6.62	
Local business tax	1			1%	previous year turnover	8.84	
Corporate income tax	1	online filing	36	35.00%	taxable profits	24.85	
<b>Totals</b>	<b>47</b>		<b>195</b>			<b>49.4</b>	

***Notes:***

- a) data not collected
- b) VAT is not included in the total tax rate because it is a tax levied on consumers
- c) very small amount
- d) included in other taxes
- e) Withheld tax
- f) electronic filling available
- g) paid jointly with another tax

Name of taxes have been standardized. For instance income tax, profit tax, tax on company's income are all named corporate income tax in this table.

When there is more than one statutory tax rate, the one applicable to TaxpayerCo is reported.

The hours for VAT include all the VAT and sales taxes applicable.

The hours for Social Security include all the hours for labor taxes and mandatory contributions in general.

## Trading Across Borders in Philippines

These tables list the procedures necessary to import and exports a standardized cargo of goods in Philippines. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2009)	Duration (days)	US\$ Cost
Documents preparation	9	189
Customs clearance and technical control	2	187
Ports and terminal handling	3	270
Inland transportation and handling	2	170
Totals	16	816

Nature of Import Procedures (2009)	Duration (days)	US\$ Cost
Documents preparation	8	187
Customs clearance and technical control	3	187
Ports and terminal handling	4	270
Inland transportation and handling	1	175
Totals	16	819

Export
Bill of lading
Cargo release order
Certificate of origin
Commercial invoice
Customs export declaration
Packing list
Technical standard/health certificate
Terminal handling receipts
Import
Bill of lading
Cargo release order
Certificate of origin

Commercial invoice
Customs import declaration
Packing list
Technical standard/health certificate
Terminal handling receipts

## Enforcing Contracts in Philippines

This topic looks at the efficiency of contract enforcement in Philippines.

Nature of Procedure (2009)	Indicator
Procedures (number)	37
Time (days)	842
Filing and service	58.0
Trial and judgment	580.0
Enforcement of judgment	204.0
Cost (% of claim)*	26.00
Attorney cost (% of claim)	10.0
Court cost (% of claim)	6.0
Enforcement Cost (% of claim)	10.0

**Court information:** Manila Metropolitan Trial Court

\* Claim assumed to be equivalent to 200% of income per capita.





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