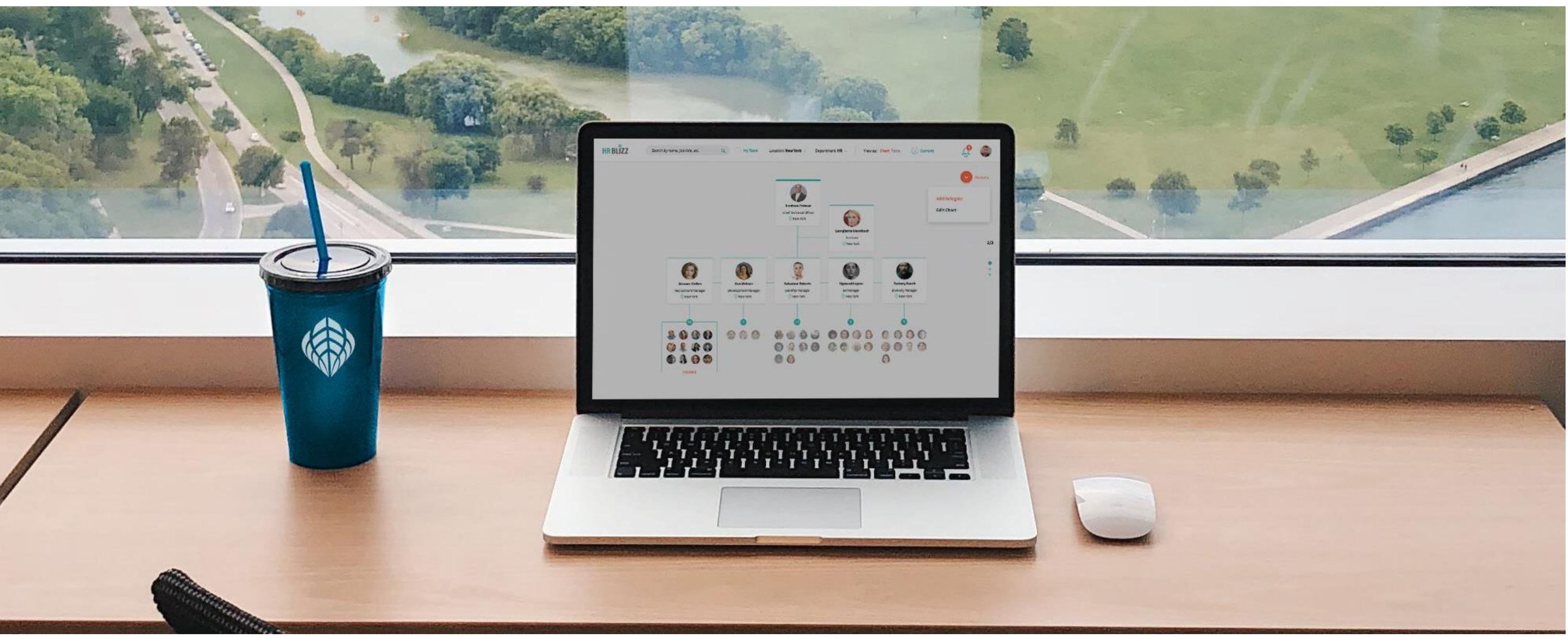
Simplifying Employment
Tasks Worldwide

Payroll & Tax Highlights

2022 Global Payroll Country Guide for Philippines



PHILIPPINES

10 May 2022

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We help you achieve your global ambitions

Thank you for trusting Mercans to outsource your HR and Payroll functions. We propose HR consulting services, actionable solutions, and cost-effective global payroll processing tools to energize your human capital management in real-time and augment your performance. We are dedicated to becoming your business growth facilitator.

Global Payroll Solutions – Boost your HR brand and employee satisfaction

Rationalize your HR budgets, monitor your data, and optimize your global payroll tasks in real-time. Systematize processes and streamline HRM lifecycles with HR Blizz™, our unified SaaS platform, to ensure your employees are paid accurately and on time.

PEO/GEO Services – Easily hire, deploy and manage your workforce abroad

A reliable Professional Employer Organization (PEO), Mercans is your trusted employer of record to globally select, engage, and manage highly qualified personnel on your behalf, through integrated Global Employment Outsourcing (GEO).

Global Talent Acquisition – Quickly fill vacancies with only the best candidates

Mercans supports you in designing/deploying long-term HR strategies and processing full-cycle recruitment. Our ATS Suite Mesaar™ and our hiring experts help to screen, select, attract the right candidates for your organization and populate your pipeline of prequalified talents.

BPO Services – Reclaim the focus on your core activities to expand your business

Concentrate on the essentials: outsource non-primary activities and your front- and back-office functions to Mercans. Save the time, money, and energy needed to refine the value chain engagement of your customers and suppliers and increase revenue.

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Centralize your HR function on an all-in-one user-friendly and self-service platform. Combined with the expertise of our consultants, the Mesaar SaaS offers a built-in applicant tracking system and easy-integration features to improve internal processes.

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Mercans seasoned HR advisory team are compliance experts specialized in local cultures, business protocols, and tax and legal specificities. They are committed to ensure quick go-to-market abroad and achieve a compliant global expansion, risk-free from A to Z.

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Mercans at a Glance

160+ Countries	**20** Years of Success	**850+** Payroll and HR Specialists
8k+ Clients Worldwide	**97%** Client Retention Rate	**1.5X** Annual Revenue Growth
45k+ Largest Single Country Payroll	**9M+** Pay Slips per Annum	**0** Security Breaches

Number one for outsourced payroll services, we are endorsed by international authorities.

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Mercans has the highest industry quality and IT security certificate

CERTIFIED ISO 9001:2008 COMPANY

International Organization for Standardization ISO 20000

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OWASP Open Web Application Security Project

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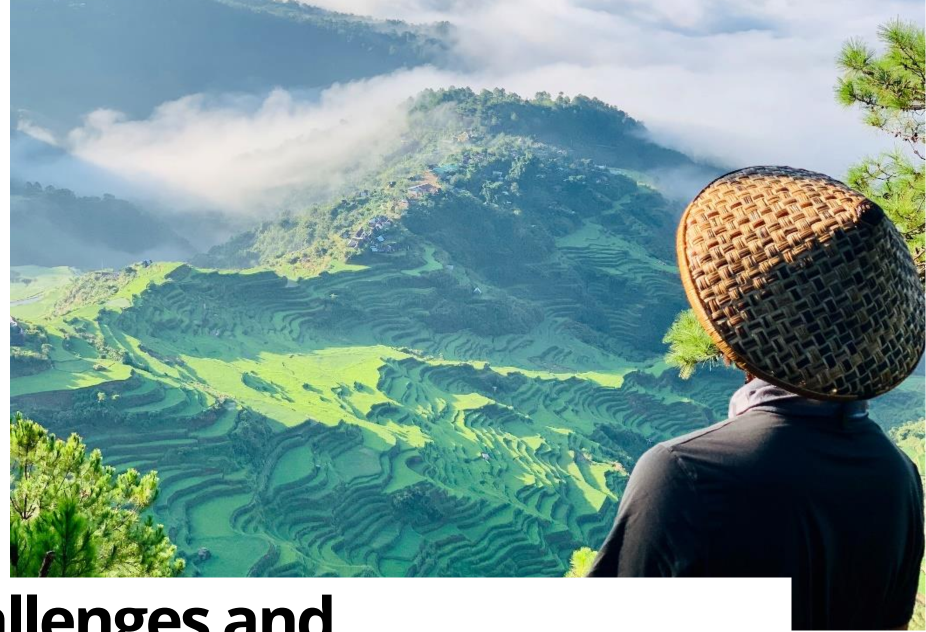

Philippines – Challenges and Opportunities.

The Philippine economy is expected to return to its 6 to 7-percent growth trajectory in 2022 after nearly two years of grappling with the pandemic despite the threat of the Omicron variant, according to the investment banking arm of the Metrobank Group.

The Philippines has a mixed economy with privately-owned businesses regulated by government policy. It is considered a newly industrialized economy and emerging market, which means it is changing from an agricultural-based economy to one with more services and manufacturing. The economy here is the 36th largest in the world and the 3rd largest of the Association of Southeast Asian Nations (ASEAN).

Although this economy is predicted to be the 16th largest by the year 2050, it does face some significant challenges. Its growth is hindered by underdeveloped infrastructure and widespread poverty.

Additionally, many people here rely on remittances from family living abroad, which means that if the economic situation of Filipinos living abroad declines, remittances will also decrease. This country also has a significant problem with government corruption, a fact that hinders the potential for maximum private foreign investment. Without foreign investment, this country is not able to keep up with its rapid population growth.

Part of the future economic plans of the Philippines includes increasing employment opportunities throughout the country. Not only does this increase residents' purchasing power, thus driving the economy, but it also increased government income in the form of taxes. An increase in taxes would allow the government to increase its budget and invest in infrastructure projects of both transportation and communication. Some economists suggest that the Philippines should look to expand its international relations as well, to increase its number of export partners.

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Basic Facts

Official State Name	Republic of The Philippines
Population	110 million
Capital	Manila
Major Languages	The Philippine languages, English
Currency	Philippine peso (PHP), ₱
Main Industries & Export Articles	Electrical machinery, equipment Machinery including computers Fruits, nuts Optical, technical, medical apparatus Ores, slag, ash, Copper
GDP Growth	-9.57% in 2020
Internet Domain	.ph
International Dialing Code	63
Dates & Numbers	dd/mm/yyyy

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Entity Registration & Incorporation Requirements

Key Points for Business Setup

When doing business in the Philippines, you will realise that all types of corporations in the country can only start their business operations after registering with the Securities and Exchange Commission (SEC) - the government agency mandated to regulate and supervise existing corporations in the country.

Domestic and One Person Corporations are required to obtain a Certificate of Incorporation and a Certificate of Registration from the SEC. A Certificate of Incorporation legitimizes its existence as a corporation organized and existing under Philippine laws. A Certificate of Registration authorizes it to engage in business within and outside the Philippines.

Foreign corporations seeking to do business in the Philippines are required to obtain a License to Do Business from the SEC before starting their operations.

Generally, corporations with foreign equity are allowed to set up businesses in the Philippines, except in areas of investment partially or wholly exclusive to Filipino entrepreneurs.

Also, existing foreign corporations are required to appoint a Resident Agent who will receive summons and legal proceedings served to their corporation in the Philippines. The resident agent can be a foreigner or a Filipino citizen.

Type of Business

Domestic Corporation

Similar to a Limited Liability Company (LLC), a Domestic Corporation (or Subsidiary Corporation if with foreign equity) is the most common type of corporation in the Philippines. Its legal entity is separate from its shareholders and must have at least five incorporators, who must be natural persons of legal age and subscribers of at least one share of capital stock in the corporation.

There are three types of domestic corporations in the Philippines:

- 100% Filipino-owned Domestic Corporation
- 60% Filipino-owned and 40% Foreign-owned Domestic Corporation
- 40% to 100% Foreign-owned Domestic Corporation

One Person Corporation

A One Person Corporation (OPC) is a type of corporation with a single stockholder who shall also be the sole director and president. It offers the full authority and control of a sole proprietorship and the limited liability of a domestic corporation, an ideal setup for aspiring entrepreneurs planning to run a corporation on their own without the associated risks of incurring personal liabilities and having business partners.

The single stockholder (also known as incorporator) can be a natural person of legal age, a trust or an estate. Under applicable laws, the trust does not refer to a trust entity, but to the subject being managed by a trustee.

Similar to a Domestic Corporation, an OPC is also required to obtain a Certificate of Incorporation and a Certificate of Registration from SEC.

A foreign natural person can set up an OPC, provided they engage in areas of investment not restricted from foreign participation.

Unlike other types of corporations, an OPC is not required to have a minimum authorized capital stock, except as otherwise provided by law. Further, unless stated by applicable laws or regulations, no portion of the authorized capital is required to be paid up at the time of incorporation.

The single stockholder is required to designate a nominee and alternate nominee who shall be indicated in the Articles of Incorporation to replace the single stockholder if they die or become incapacitated to operate the OPC.

Branch Office

A Branch Office is a revenue-generating entity that carries out the business activities of its foreign parent company into the Philippines. It does not have a separate legal entity from its parent company and its liabilities are incurred by the head office from abroad.

The minimum paid-up capital of a branch office is US$200,000.00, but can be reduced to the following:

- US$100,000.00 (if it will engage in business activities involving technology or employ at least fifty [50] direct employees)

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- US$100.00 (if it seeks to be an Export-Market Enterprise that generates income overseas)

Representative Office

A Representative Office is a non-income generating entity that can be set up by a foreign company in the form of a back office or contact center where they can delegate their administrative and technical operations, such as following:

- promote company services/products
- facilitate client orders from abroad
- perform quality control of products for export

It does not have a separate legal entity from its foreign parent company and its liabilities are incurred by the head office from abroad. As a non-income generating entity, it is not allowed to offer services to clients or third parties in the Philippines.

The minimum capital requirements of a representative office are US$30,000.00, which shall be annually remitted by the parent company to support operating expenses.

Regional Headquarters (RHQ)

Similar to a Representative Office, a Regional Headquarters (RHQ) is a non-income generating entity that can only be set up by foreign corporations with subsidiaries, branches, and/or affiliates worldwide. It can be established in the form of a contact center or back office to supervise, inspect or coordinate the administrative functions of the aforementioned entities.

Under conditions allowed by law, it may source raw materials, market products, train employees, and/or conduct research and development in the Philippines.

It does not have a separate legal entity from its parent company and its liabilities are incurred by its head office from abroad.

Under Philippine laws, an RHQ is not allowed to perform the following:

- generate income or offer services to third parties in the Philippines
- manage the operations of its subsidiaries, branches, and/or affiliates
- deal directly or do business with its clients in the Philippines

Its parent company is also not permitted to sell or market products through the RHQ office.

The minimum capital requirement for setting up an RHQ is US$50,000.00, which shall be annually remitted by the parent company to support operating expenses.

Regional Operating Headquarters (ROHQ)

Similar to a Branch Office, a Regional Operating Headquarters (ROHQ) is a revenue-generating entity that carries out the business activities of its foreign parent company into the Philippines. It can only be set up by foreign corporations with affiliates, subsidiaries, and/or branches worldwide, in the form of a service center for the entities owned by the parent company.

An ROHQ does not have a separate legal entity from its parent company and its liabilities are incurred by its head office from abroad.

Under Philippine laws, it is not allowed to directly or indirectly solicit or market goods/services on behalf of its parent company, subsidiaries, branches, and/or affiliates. It is also prohibited from offering qualifying services to third-party enterprises other than its associated entities.

To support its annual operations, the parent company is required to remit at least US$200,000 every year.

Financial Statements

All companies must submit their financial statements accompanied by an auditor's report issued by an independent certified public accountant (CPA). The PRC is the government agency responsible for regulating the accounting profession in the country and the PRBOA is responsible for the licensure examination as well as for CPAs to observe the rules implemented in the Philippine Accountancy Law of 2004.

The auditor is appointed by the board of directors of the corporation and the Securities and Exchange Commission (SEC) requires external auditors to be rotated every five years.

The BSP requires external auditors engaged by banks to be changed every five years and the IC requires insurance companies to also change their external auditor every five years.

Once the services of the auditor have been used for these five consecutive years, the same auditor cannot participate in the auditing process for a period of, in most cases, two years.

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Audit Requirement

Audit and financial reporting requirements can differ depending on a number of matters. This might include the size of a business, the value of the assets/liabilities of a business and even the type of corporate entity operating a business (e.g. foreign corporations, company branches, representative offices, partnerships, etc).

Below are the general requirements regarding which PH businesses need to submit an Audited Financial Statement. However, as each case might differ, company should always speak with your accountant to understand your company's obligations when it comes to the preparation and submission of the AFS.

BIR

Unless exempt, corporations, partnerships or individuals with gross annual sales of more than PHP3million are required to submit an AFS to the BIR each year.

The AFS will be filed as an attachment to the company's annual income tax return, or AITR.

SEC

The SEC also has specific thresholds defining which companies are required to file an Audited Financial Statement with the SEC. Again, each company will have different circumstances and requirements. However, below are the companies required to submit an AFS to the SEC in accordance with Revised SRC Rule 68:

- Stock corporations with total assets or total liabilities of Php600,000 or more;
- Non-stock corporations with total assets or total liabilities of Php600,000 or more;
- Branch offices/representative offices of stock foreign corporations with total assets in the equivalent of Php1million or more;
- Branch offices/representative offices of non-stock foreign corporations with total assets in the equivalent of Php1million or more;
- Regional operating headquarters of foreign corporations with total revenues in the equivalent amount of Php 1million or more.

In light of the above, there may be cases wherein a taxpayer may not be required to file an AFS with the BIR (based on the filing threshold), but may actually still have to file an AFS with the BIR if they are required to file an AFS with the SEC (as the SEC requires that an AFS be stamped as filed by the BIR prior to submission with the SEC).

Tax Office Registration and Administration Structure

Individual - Tax administration

Unless impracticable, a husband and wife must file one consolidated income tax return, but the tax is computed separately. Income that cannot be definitely attributed or identified as exclusive income of either spouse is divided equally between them. Generally, this results in lower combined tax liability than when the tax is jointly computed.

Substituted filing is available for qualified employees. In such case, the Certificate of Compensation Payment/Tax Withheld (Bureau of Internal Revenue [BIR] Form 2316) filed by the employer and duly stamped 'received' by the BIR shall be tantamount to substituted filing of the Annual Income Tax Return of the employees.

Substituted filing shall apply only to employees who meet all of the following conditions:

- the employee receives purely compensation income (regardless of amount) during the taxable year,
- the employee receives the income only from one employer in the Philippines during the taxable year,
- the amount of tax due from the employee at the end of the year equals the amount of tax withheld by the employer, and
- the employee’s spouse also complies with all three mentioned conditions.

Substituted filing, however, will not apply to non-resident aliens engaged in trade or business in the Philippines.

All individual taxpayers who do not qualify for substituted filing are required to file their returns on a calendar-year basis. The return must be filed on or before 15 April of the succeeding year.

Corporate - Tax administration

Corporations should file their returns and compute their income on the basis of an accounting period of 12 months.

Corporate taxpayers file self-assessed returns. Electronic filing and payment of taxes are available under the Electronic Filing and Payment System (eFPS) of the BIR.

The following corporate taxpayers who are not covered by eFPS are required to use Electronic BIR Forms (eBIRForms) in filing their tax returns:

- Accredited tax agents/practitioners and all their client-taxpayers who authorised them to file on their behalf.
- Accredited printers of principal and supplementary receipts/invoices.
- One-time transaction taxpayers.
- Those who shall file a 'No Payment' return, except senior citizens or persons with disabilities filing their own return, employees deriving purely compensation income and the income tax of which has been withheld correctly, employees qualified for substituted filing but opted to file for an income tax return and are filing for purposes of promotion (Philippine National Police and Armed Forces of the Philippines), loans, scholarships, foreign travel requirements, etc.
- Government-owned or controlled corporations.
- Local government units, except barangays.
- Cooperatives registered with the National Electrifications Administration and Local Water Utilities Administrations.

Taxpayers who are required to file their returns using eFPS or eBIRForms but fail to do so shall be subject to a penalty of PHP 1,000 per return and civil penalties equivalent to 25% of the tax due.

A domestic or resident foreign corporation is required to file cumulative income tax returns on a quarterly basis. Within 60 days from the close of each of the first three quarters of its taxable year, the corporation must file a return summarising its gross income and deductions for the year to date. A final annual income tax return must be filed on or before the 15th day of the fourth month following the close of the taxable year.

Corporate taxpayers must file their income tax returns using one of three different forms, depending on their tax regime (i.e. subject only to the regular income tax, tax exempt, or with mixed income subject to multiple tax rates or special/preferential rates).

Banking

A bank is an institution that is licensed to receive deposits and provide loans to consumers. They also provide financial services, such as insurance and wealth management plans, currency exchange and safe deposit boxes, The banking industry is the entity that handles cash, credit, and other financial exchange. The primary role that they play for consumers is to provide deposit accounts and grant loans.

Financial products range from deposit accounts, high-end financial services such as home loans, to investment products. Other services provided by banks include credit cards, loans, and checking accounts.

Commercial/Retail banks

Commercial banks are financial institutions that provide basic financial services such but not limited to deposit accounts and loans. There are various subtypes of commercial banks, and the most common are the following:

Philippine Government Banks	Private Domestic Banks
These are state-owned development banks. There are only three commercial banks of this type in the Philippines:	These banks are run by private corporations. They're the most common and more accessible banks in the Philippines:
• Al Amanah Islamic Investment Bank of the Philippines • Development Bank of the Philippines (DBP)	• Bank of the Philippine Islands (BPI) • Banco de Oro Universal Bank (BDO) • Metropolitan Bank and Trust Company (Metrobank)

Investment banks

An investment bank (IB) is a financial intermediary that performs complex financial transactions such as underwriting, acting as an intermediary between a securities issuer and the investing public, facilitating mergers and other corporate reorganizations, and acting as a broker and/or financial adviser for institutional clients. In other words, these are banks that provide investment opportunities such as stocks, bonds, and mutual funds.

Working Hours

The normal hours of work an employee has to render must not exceed eight (8) hours a day and should be exclusive of the one (1) hour daily lunch break. Philippine laws, however, do not prohibit work done for less than eight hours.

Working hours shall include:

- all time during which an employee is required to be on duty and/or to be at a prescribed workplace;
- all time during which an employee is permitted to work; and
- rest periods of short duration during working hours.

Every employer is mandated by the Labor Code to give their employees not less than sixty (60) minutes' time-off for their regular meals. During day shifts, this time-off is usually during 12:00 PM.

Overtime Work

Work may be performed beyond eight hours a day provided that the employee is paid for the overtime work, which consists of an additional compensation equivalent to his regular wage plus at least 25% thereof.

Work performed beyond eight hours on a holiday or rest day shall be paid an additional compensation equivalent to the rate of the first eight hours plus at least 30% thereof.

Labor Code

The Labor Code of the Philippines stands as the law governing employment practices and labor relations in the Philippines. It was enacted on Labor day of 1974 by President Ferdinand Marcos, in the exercise of his then extant legislative powers. It prescribes the rules for hiring and termination of private employees; the conditions of work including maximum work hours and overtime; employee benefits such as holiday pay, thirteenth month pay and retirement pay; and the guidelines in the organization and membership in labor unions as well as in collective bargaining.

The Labor Code contains several provisions which are beneficial to labor. It prohibits termination from employment of Private employees except for just or authorized causes as prescribed in Article 282 to 284 of the Code. The right to trade union is expressly recognized, as is the right of a union to insist on a closed shop.

Strikes are also authorized for as long as they comply with the strict requirements under the Code, and workers who organize or participate in illegal strikes may be subject to dismissal. Moreover, Philippine jurisprudence has long applied a rule that any doubts in the interpretation of law, especially the Labor Code, will be resolved in favor of labor and against management.

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Tax & Social Security

Tax system in Philippines

The laws governing taxation in the Philippines are contained within the National Internal Revenue Code. This code underwent substantial revision with passage of the Tax Reform Act of 1997. This law took effect on January 1, 1998.

Taxation is administered through the Bureau of Internal Revenue which comes under the Department of Finance. The chief executive of the Bureau of Internal Revenue is the Commissioner who has exclusive and original jurisdiction to interpret the provisions of the code and other tax laws. The commissioner also has the powers to decide disputed assessments, grant refunds of taxes, fees and other charges and penalties, modify payment of any internal revenue tax and abate or cancel a tax liability. Taxpayers can appeal decisions by the Commissioner directly to the Court of Tax Appeals.

Types of Taxes

Capital Gain Tax

Capital Gains Tax is a tax imposed on the gains presumed to have been realized by the seller from the sale, exchange, or other disposition of capital assets located in the Philippines, including pacto de retro sales and other forms of conditional sale.

Documentary Stamp Tax

Documentary Stamp Tax is a tax on documents, instruments, loan agreements and papers evidencing the acceptance, assignment, sale or transfer of an obligation, rights, or property incident thereto.

Donor's Tax

Donor's Tax is a tax on a donation or gift and is imposed on the gratuitous transfer of property between two or more persons who are living at the time of the transfer.

Estate Tax

Estate Tax is a tax on the right of the deceased person to transmit his/her estate to his/her lawful heirs and beneficiaries at the time of death and on certain transfers which are made by law as equivalent to testamentary disposition.

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Income Tax

Income Tax is a tax on all yearly profits arising from property, profession, trades or offices or as a tax on a person's income, emoluments, profits and the like.

The table below details income tax rates in the Philippines:

Annual Taxable Income	Tax Rate
Up to 250,000	0%
Over 250,000 – up to 400,000	20% of the excess over 250,000
Over 400,000 – up to 800,00	PHP 30,000 + 25% of the excess over PHP 400,000
Over 800,000 – up to 2,000,000	PHP 130,000 + 30% of the excess over PHP 800,000
Over 2,000,000 – up to 8,000,00	PHP 490,000 + 32% in excess over PHP 2,000,000

Percentage Tax

Percentage Tax is a business tax imposed on persons or entities who sell or lease goods, properties or services in the course of trade or business whose gross annual sales or receipts do not exceed P550,000 and are not VAT-registered.

Value-Added Tax

Value-Added Tax is a business tax imposed and collected from the seller in the course of trade or business on every sale of properties (real or personal) lease of goods or properties (real or personal) or vendors of services. It is an indirect tax, thus, it can be passed on to the buyer.

Withholding Tax

Withholding Tax on Compensation is the tax withheld from individuals receiving purely compensation income.

Expanded Withholding Tax is a kind of withholding tax which is prescribed only for certain payors and is creditable against the income tax due of the payee for the taxable quarter year.

Final Withholding Tax is a kind of withholding tax which is prescribed only for certain payors and is not creditable against the income tax due of the payee for the taxable year. Income Tax withheld constitutes the full and final payment of the Income Tax due from the payee on the said income.

Withholding Tax on Government Money Payments is the withholding tax withheld by government offices and instrumentalities, including government-owned or -controlled corporations and local government units, before making any payments to private individuals, corporations, partnerships and/or associations.

Excise Tax

Excise Tax is a tax on the production, sale or consumption of a commodity in a country. It applies to goods manufactured or produced in the Philippines for domestic sale or consumption or for any other disposition; and to imported goods.

Social Security System (SSS)

SSS is a privatized social insurance program established to protect members and their families against the hazards of disability, sickness, maternity, old age, death and other contingencies resulting in loss of income or financial burden.

All private employees and employers are compulsorily covered under this program. The Social Security premium of both the employee and employer will vary depending on the employee's monthly compensation bracket. Employers must deduct the Social Security contributions from the employees' salary and remit these contributions, together with the employer's share of contributions, to the SSS or any accredited banks.

An SSS employee-member should:

- Secure their SSS numbers;
- Ensure that they are reported for coverage under the SSS by their employers;
- Pay their monthly share of contributions and ensure that these contributions are remitted to the SSS by their employers;
- Submit to their employer SSS Salary Loan Voucher or Statement if any, to commence loan amortization deductions from their monthly payroll. Ensure that the employer has done the necessary ML2 posting

An employer is obliged to:

- Require to see the SSS number of a prospective employee;
- Report all employees for SSS coverage within thirty (30) days from the date of employment

- Deduct from the employees the monthly SSS contributions based on the schedule of contributions;
- Submit a summary of all employees' contributions
- Ensure that Monthly SSS Electronic Collection Lists with Payment Reference Number (PRN) where employees' names are included, are submitted to the SSS with payment.
- The employer shall be responsible for the collection and remittance to the SSS of the amortization due on the member-borrower's salary loan through payroll deduction.

Philippine Health Insurance Corporation (PHIC)

The Philippine Health Insurance Corporation, popularly known as PhilHealth, is a government-funded health care system in the Philippines. It was established to administer the National Health Insurance Program, which will prioritize the needs of the underprivileged, sick, elderly, disabled, women and children.

Both employers and employees are required to contribute to the PHIC equally based on the employees' monthly salaries.

Home Development Mutual Fund (Pag-IBIG)

The Pag-IBIG fund is responsible for a national savings program and also offers loans and housing programs. The employer and employee each pay a fixed amount of PHP 100 per month for PAG-IBIG.

Payroll

In the Philippines, employers are responsible for withholding taxes from their employees' salaries. As such, the company must compute its employees' taxable income before distributing their salaries.

There are four statutory obligations that both employees and employers are obliged to adhere to under the Philippine Law.

The monthly Social Security, PhilHealth and Pag-IBIG Fund contributions from the employees' salary, together with the employer's share of contributions, has to be paid to the respective statutory agencies or any accredited banks (if applicable) on or before the payment date. The payment date will vary depending on the statutory agency.

The tax year runs from 1 January to 31 December.

Minimum Wage

Minimum Wages in Philippines remained unchanged at 537 PHP/day in 2021 from 537 PHP/day in 2019.

Payroll Cycle and Pay Date

The payroll cycle in the Philippines is generally monthly, and payment is made at least once every two weeks or twice a month at intervals not exceeding 16 days.

A 13th salary must be paid on or before 24th December and is equivalent to one month's pay (Aguinaldo).

Working Hours

A standard work day is 8 hours. Hours in excess of the regular workweek are considered overtime and is regulated by the employment contract or collective agreements. In general, overtime is paid at the rate of 125% of the regular pay.

Senior managers are excluded from overtime pay.

Overtime Pay and Night Shift Differential

Working hours in the Philippines cannot exceed eight hours in a day, not including the mandatory one-hour lunch break. If your employee works beyond eight hours, you must pay overtime wages.

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Employers must also take note of the night shift differential rate. The night shift differential rate applies to employees working at any point between 10:00 pm and 6:00 am.

Both the overtime and night shift differential rates apply to the employee's hourly rate.

Overtime and Night Shift Differential Rates

Type of Overtime	Hourly Rate
Overtime – Normal Working Day	125%
Overtime – Rest Day	130%
Night Shift Differential Rate	110%

If an employee entitled to these rates works on a holiday, company must stack rate adjustments.

Social Security

To cushion the impact of the Coronavirus, social security contributions will currently remain at 12% instead of increasing to 13%. The House of Representatives approved the measure granting the President the power to suspend the hike in the SSS contribution rate while its counterpart bill remains pending in the Senate.

Employer Payroll Contributions

8.00% -- Social Security System (SSS) (maximum contribution 2,155 PHP)
1.75% -- Philippine Health Insurance Corporation (PHIC) (salary ceiling 80,000 PHP PHP)
2.00% -- Home Development Mutual Fund (HDMF) (Pag-ibig)
425 PHP per month -- Provident Fund (WISP)
11.75% + provident fund -- Total Employment Cost

Employee Payroll Contributions

4.00% -- Social Security System (SSS) (maximum contribution 1,125 PHP)
1.00% - Below PHP 1,500 -- Home Development Mutual Fund (HDMF) (Pag-ibig)
2.00% - Above PHP 1,500 -- Home Development Mutual Fund (HDMF) (Pag-ibig)
1.75% -- Philippine Health Insurance Corporation (PHIC)
225 PHP per month -- Provident Fund (WISP)
Up to 7.75% + provident fund -- Total Employee Cost

Available Deductions and Allowances

The new TRAIN tax rates are as follows. These rates will govern income taxes to be paid from 2018 until 2022.

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Taxable Income per Year	Income Tax Rate (Year 2018-2022)
P250,000 and below	0%
Above P250,000 to P400,000	20% of the excess over P250,000
Above P400,000 to P800,000	P30,000 + 25% of the excess over P400,000
Above P800,000 to P2,000,000	P130,000 + 30% of the excess over P800,000
Above P2,000,000 to P8,000,000	P490,000 + 32% of the excess over P2,000,000
Above P8,000,000	P2,410,000 + 35% of the excess over P8,000,000

Beginning 2023, however, there will be new income tax rates that are actually lower than those implemented from 2018 to 2022.

Taxable Income per Year	Income Tax Rate (Year 2023 onwards)
P250,000 and below	0%
Above P250,000 to P400,000	15% of the excess over P250,000
Above P400,000 to P800,000	P22,500 + 20% of the excess over P400,000
Above P800,000 to P2,000,000	P102,500 + 25% of the excess over P800,000
Above P2,000,000 to P8,000,000	P402,500 + 30% of the excess over P2,000,000
Above P8,000,000	P2,202,500 + 35% of the excess over P5,000,000

Employment Law

The Labor Code of the Philippines (Presidential Decree No. 442, as amended) (the Labor Code) and the Omnibus Rules Implementing the Labor Code, as amended are the main employment statutes and regulations in the Philippines.

The Labor Code provides that probationary employment shall not exceed six months from the date the employee started working unless it is covered by an apprenticeship agreement stipulating a longer period. However, the Philippine Supreme Court has held that the probationary employee may voluntarily agree to an extension if it would afford the employee another chance to pass the standards for regularisation after having initially failed the probationary period.

Fixed-term contracts are permitted provided that either of these two criteria are met:

- the fixed period of employment was knowingly and voluntarily agreed upon by the parties without any force, duress or improper pressure being brought to bear on the employee and without any circumstances vitiating consent; or
- it satisfactorily appears that the employer and employee dealt with each other on more or less equal terms with no moral dominance whatsoever being exercised by the former on the latter.

While labour laws and jurisprudence do not provide for a maximum duration for fixed-term employment contracts, the Philippine Supreme Court has recognised the validity of a fixed-term employment contract with a duration of five years.

An independent contractor is one who carries on a distinct and independent business and undertakes to perform the job, work or service on its own account and under one's own responsibility according to one's own manner and method, free from the control and direction of the principal in all matters connected with the performance of the work except as to the results thereof.

A job contractor refers to any person or entity engaged in a permissible contracting or subcontracting arrangement providing services for a specific job or undertaking farmed out by principal under a service agreement. There is permissible job contracting when all the following concur:

- the contractor or subcontractor is engaged in a distinct and independent business and undertakes to perform the job or work on its own responsibility, according to its own manner and method;

- the contractor or subcontractor has substantial capital to carry out the job farmed out by the principal on his or her account, manner and method, investment in the form of tools, equipment, machinery and supervision;
- in performing the work farmed out, the contractor or subcontractor is free from the control or direction of the principal in all matters connected with the performance of the work except as to the result thereto; and
- the service agreement ensures compliance with all the rights and benefits for all the employees of the contractor or subcontractor under our labour laws.

On the other hand, jurisprudence has also recognised another kind of independent contractor in the form of individuals with unique skills and talents that set them apart from ordinary employees. The 'control test' is the primary factor determinative of the presence or absence of an employer-employee relationship. Under the control test, an employer-employee relationship exists where the person for whom the services are performed reserves the right to control not only the end achieved, but also the manner and means to be used in reaching that end.

Employment Agreement

This Employment Agreement is a contract between an employer and employee in the Philippines. It can be used for different types of employment such as probationary employment, regular employment, project employment, seasonal employment, fixed-term employment or casual employment.

This Agreement sets out all the terms in the agreement such as the job duties, salary and benefits, work hours, confidentiality and other key terms specific for each type of employment such as:

- Probationary Employment - the period of probation and the standards upon which the employee's competence and qualifications will be evaluated on. The maximum period of probation is six (6) months and the standards should be made
known and explained to the employee at the time of engagement or signing of the agreement.
- Project Employment - the description of the project and the date of completion of the project.
- Seasonal Employment - the description of the season and the date of the end of the season.
- Fixed Term Employment - the starting date and ending date of the employment.
- Casual Employment - the description of the job, which should be merely incidental to the main business of the employer, and the starting date and ending date of the casual employment, which should not be for more than one (1) year.

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This Employment Agreement is not suitable for Filipino employees who will be employed as overseas Filipino workers. Instead, the POEA Standard Employment Contract for Various Skills should be used.

This document also includes an Acknowledgement portion if the parties would want to notarize the document. Notarization of the document converts the document from a private document to a public document so that it becomes admissible in court without need of further proof of its authenticity.

Working Conditions

The working conditions in the Philippines vary dramatically depending on the type of job you do. Be prepared for conditions that may vary drastically from what you are used to.

Those working in higher level positions will generally enjoy better benefits, pay and a good work environment. People with less skilled employment have little job security, pay can be very low by western standards and often they work for long hours or in dangerous conditions.

As an expat you will probably have to adapt to more basic facilities, a lower wage and less health and safety regulations than you may be used to in your home country. That said, the Department of Labour and Employment is responsible for making and implementing policies to ensure fair work practices. There are laws guaranteeing equal opportunities, equal pay, overtime, holiday benefits and safety at work for all.

Working Hours
Most expat workers work an average of 8 hours per day with a lunch break of around an hour. The law states that employers are only required to give employees one day off a week, but depending on your job most get weekends off. If you work a night-shift you will be paid a bonus of not less than 10% of your regular wage.

Holidays
Workers aren't required to work on national holidays, if they do they are paid an overtime rate depending how long they work and whether the holiday is on a weekend or not. The Philippines has 18 official holidays per year plus any day a general election is held. In addition to this after one year of service an employee is entitled to a further 5 days of paid holiday.

Sick Leave and Insurance Contributions
Employees and employers are required to pay monthly into the social security system, this is mandatory. Part of this goes towards medical insurance and home development mutual fund (HDMF) contributions. If you are self-employed you can opt out of paying the latter two. The employee's contribution is calculated based on their monthly salary.

Employees are entitled to sick leave but how much varies from company to company. Due to abuse of paid sick leave employers usually require a medical certificate for any leave taken.

Leaves

Different Types of Paid Leaves

Employers granting employees annual leaves and sick leaves are not mandatory under Philippine Law. But Paternal and Maternal leaves, Service Incentive Leave, and Special Leave for Women, to name a few, are.

1. Sick Leave (SL)

Employees who can't report to work due to sickness or disability can apply for sick leave. Employees can also avail SL if they have family members who are ill and needs taking care of. Usually this is equivalent to 15 days and can be converted to cash by the end of the year.
Sick leave can be filed on the day the employee returns to work. If an employee exceeds three days or filed in advance, the filed SL must be accompanied with a medical certificate.

2. Vacation Leave (VL)

As mentioned earlier, employers are not mandated by law to grant vacation leaves to their employees. So it's a good thing that workplaces have now understood that we all have lives outside our jobs and how important family and self time is. Employees can avail vacation leaves for whatever personal reasons. This is, however, under the condition that the supervisor or manager approves it.

3. Service Incentive Leave (SIL)

The SIL is the alternative option for employers who don't grant their employees sick or vacation leaves. By law, companies are required to grant their staff, who have worked for them for a year, SIL equivalent to five days. These five days can be used either as sick or vacation leave. If not used during the year, employers can pay it's money equivalent when the year ends.

4. Maternity Leave (ML)

It takes time to recover from giving birth, plus mothers have to spend some time with their newborn after. Women who've worked in the government sector for at least two years are eligible to avail 60 days of paid maternity leave on top of their vacation and sick leaves.
Female members of SSS who have made three monthly contributions, at least twelve months before giving birth, are also eligible for maternity leave. Normal delivery allows 60 days of fully paid leave, while 78 days for caesarian delivery.

5. Paternity Leave

Fathers can also take some time off after their wife has given birth. The law requires employers to give seven days of paternity leave, with full pay, for male employees. Take note that this can only be availed for the first four deliveries of the legitimate spouse. It is also non-convertible to cash and non-cumulative.

6. Parental Leave

It's hard to take care of children, especially if you're a single parent. In case you didn't know, single parents are eligible for seven days of parental leave. That is, as long as they have rendered at least a year of service to the company and that they have the sole custody and responsibility of the kids.

Employees must submit a Solo Parent Identification Card or documentation from DSWD to the HR Department if they wish to avail parental leave.

7. Rehabilitation Leave

Employees who have sustained injury and disability whilst on duty can avail rehabilitation leave. However, the frequency and duration will be dependent on a medical authority's recommendation.

The rehabilitation leave should not exceed six months. Also note that any absences of employees availing this leave are not deducted from their vacation and sick leave credits.

8. Study Leave

Study leave is also offered by employers to qualified staff who are about to take their bar or board exams. With study leave, employees can get up to six months off work, fully paid, to prepare for their exams.

Holidays and Observances in Philippines for 2022

Date	Day	Name	Type
1 Jan	Saturday	New Year's Day	Regular Holiday
23 Jan	Sunday	First Philippine Republic Day	Special Working Public Holiday
1 Feb	Tuesday	Lunar New Year's Day	Special Non-working Holiday
25 Feb	Friday	People Power Anniversary	Special Non-working Holiday
28 Feb	Monday	Lailatul Isra Wal Mi Raj	Common local holiday
20 Mar	Sunday	March Equinox	Season
9 Apr	Saturday	The Day of Valor	Regular Holiday
14 Apr	Thursday	Maundy Thursday	Regular Holiday
15 Apr	Friday	Good Friday	Regular Holiday
16 Apr	Saturday	Black Saturday	Special Non-working Holiday
17 Apr	Sunday	Easter Sunday	Observance
1 May	Sunday	Labor Day	Regular Holiday
3 May	Tuesday	Eid al-Fitr	Regular Holiday
12 Jun	Sunday	Independence Day	Regular Holiday
21 Jun	Tuesday	June Solstice	Season
10 Jul	Sunday	Eid al-Adha (Feast of the Sacrifice) (Tentative Date)	Regular Holiday
11 Jul	Monday	Eid al-Adha Day 2 (Tentative Date)	Common local holiday
30 Jul	Saturday	Amun Jadid	Muslim, Common local holiday

Date	Day	Name	Type
21 Aug	Sunday	Ninoy Aquino Day	Special Non-working Holiday
29 Aug	Monday	National Heroes Day	Regular Holiday
3 Sep	Saturday	Yamashita Surrender Day	Special Working Public Holiday
8 Sep	Thursday	Feast of the Nativity of Mary	Special Working Public Holiday
23 Sep	Friday	September Equinox	Season
8 Oct	Saturday	Maulid un-Nabi (Tentative Date)	Common local holiday
1 Nov	Tuesday	All Saints' Day	Special Non-working Holiday
2 Nov	Wednesday	All Souls' Day	Special Working Public Holiday
30 Nov	Wednesday	Bonifacio Day	Regular Holiday
8 Dec	Thursday	Feast of the Immaculate Conception	Special Non-working Holiday
22 Dec	Thursday	December Solstice	Season
24 Dec	Saturday	Christmas Eve	Special Working Public Holiday
25 Dec	Sunday	Christmas Day	Regular Holiday
30 Dec	Friday	Rizal Day	Regular Holiday
31 Dec	Saturday	New Year's Eve	Special Working Public Holiday

Employment Termination

There are two types of employment termination in the Philippines: **termination by employer** and **voluntary resignation** or termination by employee. Employers can dismiss an employee based on just and authorized causes. Just causes are based on acts attributable to an employee's own wrongful actions or negligence while authorized causes refer to lawful grounds for termination which do not arise from fault or negligence of the employee.

Voluntary resignation is defined as a voluntary act committed by employees who knowingly dissociate themselves from their employment for personal reasons. It does not cover instances where employees are forced to resign with the use of threats, intimidation, coercion, manipulation, or where dismissal is imposed as a penalty for an offense. Forced or coerced resignation is illegal and considered "constructive" dismissal – a dismissal in disguise.

Termination by Employer

According to Article 282 of the Labor Code, an employer can terminate an employee for just causes, which could be any of the following:

- serious misconduct or willful disobedience by the employee of the lawful orders of his employer or representative in connection with his work;
- gross and habitual neglect by the employee of his duties;
- fraud or willful breach by the employee of the trust reposed in him by his employer or duly authorized representatives;

- commission of a crime or offense by the employee against the person of his employer or any immediate member of his family or his duly authorized representatives; and
- other similar causes.

Employers can also terminate an employee based on authorized causes like business and health reasons. Art. 283 of the Labor Code states that an employee can be terminated due to business reasons such as:

- installation of labor-saving devices;
- redundancy;
- retrenchment (reduction of costs) to prevent losses; or
- the closing or cessation of operation.

For termination of employment based on health reasons, employers are allowed to terminate employees found suffering from any disease and whose continued employment is prohibited by law or is prejudicial to his health as well as to the health of his co-workers (Art. 284, Labor Code). The employer must obtain from a competent public health authority a certification that the employee's disease is of such a nature and at such a stage that it can no longer be cured within a period of six (6) months even with medical attention.

Voluntary Resignation

This type of termination is strengthened by the provisions of Art. 285 of the Labor Code which recognizes two kinds of termination an employee can initiate – without just cause and with just cause. If the resignation is without just cause, the employee must give a one (1) month advance written notice for resignation (commonly referred to as a "resignation letter") to the employer to enable them to look for a replacement and prevent work disruption. If the employee fails to provide a resignation letter, he or she runs the risk of incurring liability for damages.

If the resignation is with just cause, however, the employee need not serve a resignation notice. Art. 285 indicates the just causes for resignation as follows:

- serious insult to the honor and person of the employee;
- inhuman and unbearable treatment accorded the employee by the employer or his representative;
- crime committed against the person of the employee or any immediate members of the employee's family; and
- other similar causes.

It should be noted that employees who voluntarily resign from work are not entitled to separation pay. Philippine laws only grant separation pay to those who were dismissed from service not due to their own fault or negligence but for reasons that are beyond their control, i.e.

business closure, cessation of operation, retrenchment (reduction of costs) to prevent losses, etc. However, there are at least two cases where employees who resign voluntarily may be entitled to separation pay, and they are as follows:

- when payment of separation pay is provided in the employment contract or Collective Bargaining Agreement (CBA, for companies with existing bargaining agent or labor union); and
- when it is authorized by established company practice or policy.

Due Process in Termination of Employment

Due process in the context of employment termination is the right of an employee to be notified of the reason for his or her dismissal and, in case of just causes, to be provided the opportunity to defend himself or herself.

The due process is different for both authorized and just causes. Just cause involves a two-notice rule while authorized cause requires a 30-day notice. If due process is not accorded to the employee before termination of the employment or the termination itself is declared illegal, the employee is entitled to receive reinstatement and full backwages (Art. 279, Labor Code). If reinstatement is no longer possible where the dismissal was unjust, separation pay may be granted.

Dismissals based on just causes involve the two-notice rule:

A written notice, commonly referred to as a notice to explain specifying the grounds for termination and giving the employee ample opportunity to explain their side;

A hearing or conference to allow the employee to respond to the charge/s, present evidence, or rebut the evidence presented against them; and

A notice of decision indicating the justification for termination as well as the corresponding sanctions (if any) after due consideration of all evidence.

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Immigration

Foreign individuals seeking to come to the Philippines for work, leisure, retirement, study or medical purposes are required to obtain a visa to legally stay in the country.

There are over 20 types of visas in the Philippines, which are grouped into three categories:

1. **Non-Immigrant Visas** – for temporary visits, e.g., employment, business, leisure, study or transit
2. **Immigrant Visas** – for foreigners seeking permanent residency in the Philippines
3. **Special Visas** – for qualified foreigners belonging to the demographic groups granted special entry privileges through legislation or presidential proclamations

Non-Immigrant Visas

Currently, there are over 8 non-immigrant visas offered to foreigners who intend to come to the Philippines for temporary visits. The most common of these is the 9(G) or Work Visa, a visa offered to those coming to the Philippines to gain long-term employment.

The following documents are mandatory for a Work Visa application:

1. Checklist with complete documentary required; and
2. Completed aforementioned 9(G) Work Visa Application Form; and
3. Additional information on applicant's children (if applicable); and
4. Notarized certification of number of foreigners and Filipino employees; and
5. Any additional documents deemed necessary to support the applicant's employment

Another common non-immigrant visa is the 9(A) or Temporary Visitor's Visa. The 9(A) or Temporary Visitor's Visa is issued to foreigners for short-term visits for tourism, business or medical purposes. Individuals applying for the 9(A) Visa for business purposes must provide the following documents:

1. An original letter of invitation from a reference person or company in the Philippines. The letter must be signed by the authorized company signatory and notarized in the Philippines – i.e., – proof of status as a businessman; and

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2. An official letter from the company where the foreign national is employed mentioning the reason/s for the employee's travel to the Philippines and the expected duration of stay

Other visas under this category include student visa, transit visa, diplomatic visa, investor's visa, and seaman's visa.

Immigrant Visas

There are two types of immigrant visas in the Philippines: quota immigrant visas and non-quota immigrant visas.

Quota Immigrant Visas are issued to foreigners who are citizens of countries that have diplomatic ties with the Philippines and grants Filipino citizens the same immigration privileges under the principle of reciprocity. The Bureau of Immigration (BI) in the Philippines grants no more than fifty (50) quota visas every year.

Non-Quota Immigrant Visas, on the other hand, are issued to foreigners married to Filipino citizens and former Filipino citizens seeking to reacquire their citizenship in the Philippines. The most common type of non-quota visas is the 13(A) Marriage Visa, which is granted to foreigners legally married to a Filipino citizen and such marriage is recognized as valid under existing Philippine laws. Another non-quota visa is the 13(g) Visa, which is issued to natural-born citizens of the Philippines who have been naturalized in a foreign country.

Special Visas

Currently, there are over 6 special visas granted to qualified foreign nationals. These visas are grouped into two categories: special non-immigrant visas and special immigrant visas.

Special Non-Immigrant Visas are commonly issued to foreigners employed by companies registered in the Philippines. The most common types are the 47a2 PEZA Visa, Regional Operating Headquarters (ROHQ) / Regional Headquarters (RHQ) Visa, and Special Employment Visa for Offshore Banking Unit (SEVOBU).

47a2 Visas are issued to those employed by companies registered with the Philippine Economic Zone Authority (PEZA), Board of Investments (BOI) or oil drilling companies. ROHQ/RHQ Visas are granted to foreign executives assigned to perform duties in the regional operating branch in the Philippines. This visa is valid for a maximum of three years. **SEVOBU Visas**, on the other hand, are issued to foreign employees assigned by any foreign bank to work in its offshore banking unit in the Philippines.

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Special Immigrant Visas are issued to foreigners coming to the Philippines for indefinite stay or permanent residency, whether for work, investment or retirement purposes. Currently, there are three special immigrant visas offered to foreigners: Special Investor's Resident Visa (SIRV), Special Visa for Employment Generation (SVEG), and Special Resident Retiree's Visa (SRRV).

A Special Investor's Resident Visa (SIRV) is issued to foreign investors interested in investing a minimum of US$75,000 in either new or existing companies in the Philippines (such companies must engage in specific industries or are publicly-listed). A Special Visa for Employment Generation (SVEG) is granted to foreign individuals who shall employ at least 10 Filipinos in a lawful and sustainable enterprise, trade or industry. A Special Resident Retiree's Visa (SRRV) is issued to foreigners over the age of 35 and able to remit an initial deposit of as low as US$1,500.

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