

## **BOOK III**

### **INCENTIVES TO MULTINATIONAL COMPANIES ESTABLISHES REGIONAL OR AREA HEADQUARTERS IN THE PHILIPPINES**

#### **CHAPTER I — LICENSING OF THE MULTINATIONAL COMPANY**

ARTICLE 58. Qualifications of Multinational Company. — Any foreign business entity formed, organized and existing under any laws other than those of the Philippines whose purpose, as expressed in its organizational documents or by resolution of its Board of Directors or its equivalent, is to supervise, superintend, inspect or coordinate, its own affiliates, subsidiaries, or branches in the Asia-Pacific Region may establish a regional or area headquarters in the Philippines, after securing a license therefor from the Securities and Exchange Commission, upon the favorable recommendation of the Board of Investments.

The Securities and Exchange Commission shall, within thirty (30) days from the effectivity of this Code, issue the implementing rules and regulations. The following minimum requirements shall, however, be complied with by the said foreign entity.

(a) A certification from the Philippine Foreign Trade Senior Officer or in the absence of such an official, a Philippine Consul in the foreign firm's home country that said foreign firm is an entity engaged in international trade with affiliates, subsidiaries or branch offices in the Asia-Pacific Region.

(b) A certification from a principal officer of the foreign entity to the effect that the said foreign entity has been authorized by its Board of Directors or governing copy to establish its regional headquarters in the Philippines, specifying that:

1. The activities of the regional headquarters shall be limited to acting as a supervisory, communications and coordinating center for its subsidiaries, affiliates and branches in the region;
2. The headquarters will not derive any income from sources within the Philippines and will not participate in any manner in the management of any subsidiary or branch office it might have in the Philippines;
3. The headquarters shall notify the Board of Investments and the Securities and Exchange Commission of any decision to close down or suspend operations of its headquarters or terminate the services of any expatriate at least fifteen (15) days before the same is effected.

(c) Any undertaking that the multinational company will remit into the country such amount as may be necessary to cover its operations in the Philippines but which amount will not be less than fifty thousand United States dollars or its equivalent in other foreign currencies annually. Within thirty (30)

days from receipt of Certificate of Registration from the Securities and Exchange Commission, the multinational company will submit to the Securities and Exchange Commission a Certificate of inward remittance from a local bank showing that it has remitted to the Philippines the amount of at least thirty

thousand United States dollars or its equivalent in other foreign currencies and converted the same to Philippine currency. Annually, within thirty (30) days from the anniversary date of the multinational company's registration as a regional or area headquarters with the Securities and Exchange Commission, it will submit proof to the Securities and Exchange

Commission of inward remittance amounting to at least fifty thousand United States dollars or its equivalent in other foreign currencies during the past year.

(d) Any willful violation by the regional or area headquarters of a multinational company of any of the provisions of this Code, or its implementing rules and regulations, or other terms and conditions of its registration, or any provision of existing laws, shall constitute a sufficient cause for the cancellation of its license or registration.

## **CHAPTER II — INCENTIVES TO EXPATRIATES**

ARTICLE 59. Multiple entry visa. — Foreign personnel of regional or area headquarters of multinational companies, their respective spouses, and unmarried children under twenty-one years of age, if accompanying them or if following to join them after their admission into the Philippines as non-immigrant shall be issued a multiple entry special visa, valid for a period of one year, to enter the Philippines: Provided, That a responsible officer or the applicant company submits a certificate to the effect that the person who seeks entry into the Philippines is an executive of the applicant company and will work exclusively for applicant's company and will work exclusively for applicant's regional or area headquarters which is duly licensed to operate in the Philippines, and that he will receive a salary and will be paid by the headquarters in the Philippines an amount equivalent to at least twelve thousand United States dollars, or the equivalent in other foreign currencies per annum.

The admission and stay shall be co-terminus with the validity of the multiple entry special visa. The stay, however, is extendible yearly upon submission to the Commission on Immigration and Deportation of a sworn certification by a responsible officer of the regional or area headquarters; that its license to operate remains valid and subsisting; that he has been paid in the Philippines from the date of original admission, the equivalent of at least one thousand United States dollars per month, or its equivalent in other foreign currencies; and that the regional or area headquarters has withheld the tax due on said compensation and the same has been paid to the Bureau of Internal Revenue.

Non-immigrant who have been admitted under the multiple entry special visa, as well as their respective spouses and dependents, shall be exempt from:

the payment of all fees due under the immigration and alien registration laws; securing alien certificates of registration; and obtaining immigration clearance certificates, and all types of clearances required by any government department or agency, except that upon final departure from the Philippines the employer of the said non-immigrants shall so advise in writing the Commission on Immigration and Deportation at least five (5) working days prior to the non-immigrant's departure, and the finally departing non-immigrant employee shall be required to submit to the said office a tax clearance from the Bureau of Internal Revenue.

ARTICLE 60. Withholding Tax of 15 %. — Aliens employed by regional or area headquarters of multinational corporations shall be subject for each taxable year upon their gross income received from the regional or area headquarters established in the Philippines by multinational companies as salaries, wages, annuities, compensations, remunerations, and emoluments to a tax equal to fifteen per centum of such gross income.

ARTICLE 61. Tax and Duty Free Importation. — An alien executive of the regional or area headquarters of a multinational company shall enjoy tax and duty free importation of personal and household effects as provided for under Section 105 (h) of the Tariff and Customs Code, as amended, and Section 169 (b) (4) of the Internal Revenue Code, as amended.

ARTICLE 62. Travel Tax Exemption. — Personnel of multinational companies performing technical and supervisory functions with regional headquarters at, but not engaged in business in the Philippines and the dependents of such foreign personnel if joining them during the period of their assignment in the Philippines, as certified to by the Board of Investments, shall be exempted from the payment of travel tax imposed under Section 1 of Presidential Decree No. 1183, by securing a Travel Tax Certificate from the Philippine Tourism Authority.

### **CHAPTER III — INCENTIVES TO THE REGIONAL HEADQUARTERS**

ARTICLE 63. Exemption from Income Tax. — Regional or area headquarters established in the Philippines by multinational corporations and which headquarters do not earn or derive income from the Philippines and which act as supervisory, communications and coordinating center for their affiliates, subsidiaries, or branches in the Asia-Pacific Regional shall not be subject to income tax.

ARTICLE 64. Exemption from Contractor's Tax. — The regional or area headquarters established in the Philippines by multinational corporations, including their alien executives, are exempted from the contractor's tax.

ARTICLE 65. Exemption from all Kinds of Local Licenses Fees, Dues. — The regional or area headquarters of multinational companies shall be exempt from all kinds of local licenses, fees, dues, imposts or any other local taxes or burdens.

ARTICLE 66. Tax and Duty Free Importation of Training Materials; Importation of Motor Vehicles. — Regional or area headquarters shall also enjoy tax and duty free importation of equipment and materials for training, conferences which are needed for the functions of the regional or area headquarters and which are not locally available subject to the prior approval of the Board of Investments.

Regional or area headquarters shall be entitled to the importation of motor vehicles subject to the prior approval of the Board and the payment of the corresponding taxes and duties: Provided, That such motor vehicles shall be for the exclusive use of its expatriate executives and that the number thereof shall not exceed the number of its expatriate executives and that such motor vehicles may be replaced every three (3) years from their importation.

ARTICLE 67. Exemption from Registration Requirements. — The regional or area headquarters of multinational companies shall be exempt from the provisions of Book II of this Code.

#### **BOOK IV**

##### **INCENTIVES TO MULTINATIONAL COMPANIES ESTABLISHING REGIONAL WAREHOUSES TO SUPPLY SPARE PARTS OR MANUFACTURED COMPONENTS AND RAW MATERIALS TO THE ASIA-PACIFIC REGION AND OTHER FOREIGN MARKETS**

ARTICLE 68. Qualifications. — A multinational company organized and existing under any laws other than those of the Philippines which is engaged in international trade and supplies spare parts or manufactured components and raw materials to its distributors or markets in the Asia-Pacific Area and other foreign areas and which has established or will simultaneously establish a regional or area headquarters in the Philippines in accordance with the provisions of Book III of this Code and the rules and regulations implementing the same may also establish regional warehouse or warehouses in the Philippines, after securing a license therefor from the Board of Investments.

The following minimum requirements shall be submitted or complied with by the said foreign entity in accordance with the rules and regulations to be issued by the Board of Investments as provided for in Article 7 (2) of this Code.

(a) A certification from the Foreign Trade Officer or in the absence of such an official, a Philippine Consul in the foreign firm's home country that said foreign firm is engaged in international trade and supplies or will supply spare

parts or manufactured components and raw materials to its distributors or markets in the Asia-Pacific Region.

(b) A certification from a principal officer of the foreign entity to the effect that said foreign entity has been authorized by its Board of Directors or governing body to establish its regional warehouse in the Philippines, specifying that:

1. The activities of the regional warehouse shall be limited to serving as a supply depot for the storage, deposit, safekeeping of its spare parts or manufactured components and raw materials including the packing, covering, putting up, marking, labelling and cutting or altering to customer's specification, mounting and/or packaging into kits or marketable lots thereof, to fill up transactions and sales made by its head offices or parent companies and to serving as a storage or warehouse of goods purchased locally by the home office of the multinational for export abroad; Provided, That said locally purchased goods for export may be stored in the regional warehouse only after they have been cleared for export in accordance with the laws and regulations, including those of the Central Bank and simplified procedures governing exports. The regional warehouse shall not directly engage in trade nor directly