

12TH EDITION

Doing Business 2015

Going Beyond Efficiency

Economy Profile 2015

Philippines



COMPARING BUSINESS REGULATIONS FOR DOMESTIC FIRMS IN **189** ECONOMIES

A World Bank Group Flagship Report

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INTRODUCTION

Doing Business sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation.

In a series of annual reports *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 189 economies, from Afghanistan to Zimbabwe, over time. The data set covers 47 economies in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in East Asia and the Pacific, 26 in Eastern Europe and Central Asia, 20 in the Middle East and North Africa and 8 in South Asia, as well as 31 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This economy profile presents the *Doing Business* indicators for Philippines. To allow useful comparison, it also provides data for other selected economies (comparator economies) for each indicator. The data in this report are current as of June

1, 2014 (except for the paying taxes indicators, which cover the period January–December 2013).

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 and getting electricity), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not directly studied by *Doing Business*. 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 policy makers in designing regulatory reform.

More information is available in the full report. *Doing Business 2015* presents the indicators, analyzes their relationship with economic outcomes and presents business regulatory reforms. The data, along with information on ordering *Doing Business 2015*, are available on the *Doing Business* website at <http://www.doingbusiness.org>.

CHANGES IN *DOING BUSINESS 2015*

As part of a 2-year update in methodology, *Doing Business 2015* incorporates 7 important changes. First, the ease of doing business ranking as well as all topic-level rankings are now computed on the basis of distance to frontier scores (see the chapter on the distance to frontier and ease of doing business ranking). Second, for the 11 economies with a population of more than 100 million, data for a second city have been added to the data set and the ranking calculation. These economies are Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, the Russian Federation and the United States. Third, for getting credit, the methodology has been revised for both the strength of legal rights index and the depth of credit information index. The number of points has been increased in both indices, from 10 to 12 for the strength of legal rights index and from 6 to 8 for the depth of credit information index. In addition, only credit bureaus and registries that cover at least 5% of the adult population can receive a score on the depth of credit information index.

Fourth, the name of the protecting investors indicator set has been changed to protecting minority investors to better reflect its scope—and the scope of the indicator set has been expanded to include shareholders' rights in corporate governance beyond related-party transactions. Fifth, the resolving insolvency indicator set has been expanded to include an index measuring the strength of the legal framework for insolvency. Sixth, the calculation of the distance to frontier score for paying taxes has been changed. The total tax rate component now enters the score in a nonlinear fashion, in an approach different from that used for all other indicators (see the chapter on the distance to frontier and ease of doing business ranking).

Finally, the name of the employing workers indicator set has been changed to labor market regulation, and the scope of this indicator set has also been changed. The indicators now focus on labor market regulation applying to the retail sector rather than the manufacturing sector, and their coverage has been expanded to include regulations on labor disputes and on benefits provided to workers. The labor market regulation indicators continue to be excluded from the aggregate distance to frontier score and ranking on the ease of doing business.

Beyond these changes there are 3 other updates in methodology. For paying taxes, the financial statement variables have been updated to be proportional to 2012 income per capita; previously they were proportional to 2005 income per capita. For enforcing contracts, the value of the claim is now set at twice the income per capita or \$5,000, whichever is greater. For dealing with construction permits, the cost of construction is now set at 50 times income per capita (before, the cost was assessed by the *Doing Business* respondents). In addition, this indicator set no longer includes the procedures for obtaining a landline telephone connection.

For more details on the changes, see the "What is changing in *Doing Business*?" chapter starting on page 24 of the *Doing Business 2015* report. For more details on the data and methodology, please see the "Data Notes" chapter starting on page 114 of the *Doing Business 2015* report. For more details on the distance to frontier metric, please see the "Distance to frontier and ease of doing business ranking" chapter in this profile.

THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 189 by the ease of doing business ranking. This year's report presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking. The ranking of economies is determined by sorting the aggregate distance to frontier (DTF) scores. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. (See the chapter on the distance to frontier and ease of doing business). The 10 topics included in the ranking in *Doing Business 2015*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The labor market regulation indicators (formerly employing workers) are not included in this year's aggregate ease of doing business ranking, but the data are presented in this year's economy profile.

The aggregate ranking on the ease of doing business benchmarks each economy's performance on the indicators against that of all other economies in the *Doing Business* sample (figure 1.1). While this ranking tells much about the business environment in an economy, it does not tell the whole story. The ranking on the ease of doing business, and the underlying indicators, do not measure all aspects of the business environment that matter to firms and investors or that affect the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business.

ECONOMY OVERVIEW

Region: East Asia & Pacific

Income category: Lower middle income

Population: 98,393,574

GNI per capita (US\$): 3,270

DB2015 rank: 95

DB2014 rank: 86*

Change in rank: -9

DB 2015 DTF: 62.1

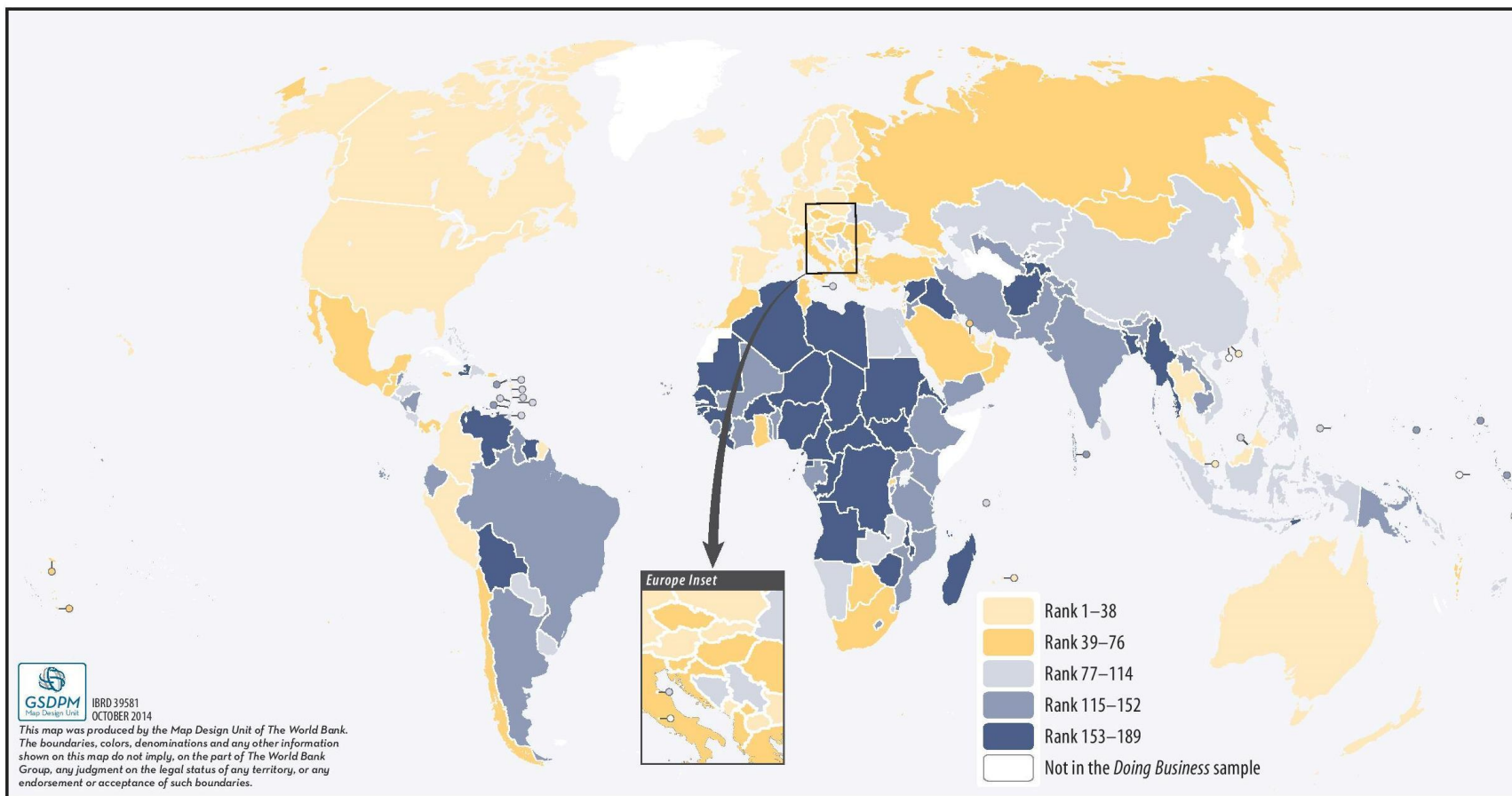
DB 2014 DTF: 62.1

Change in DTF: 0

* DB2014 ranking shown is not last year's published ranking but a comparable ranking for DB2014 that captures the effects of such factors as data corrections and the changes in methodology. See the data notes starting on page 114 of the *Doing Business 2015* report for sources and definitions.

THE BUSINESS ENVIRONMENT

Figure 1.1 Where economies stand in the global ranking on the ease of doing business



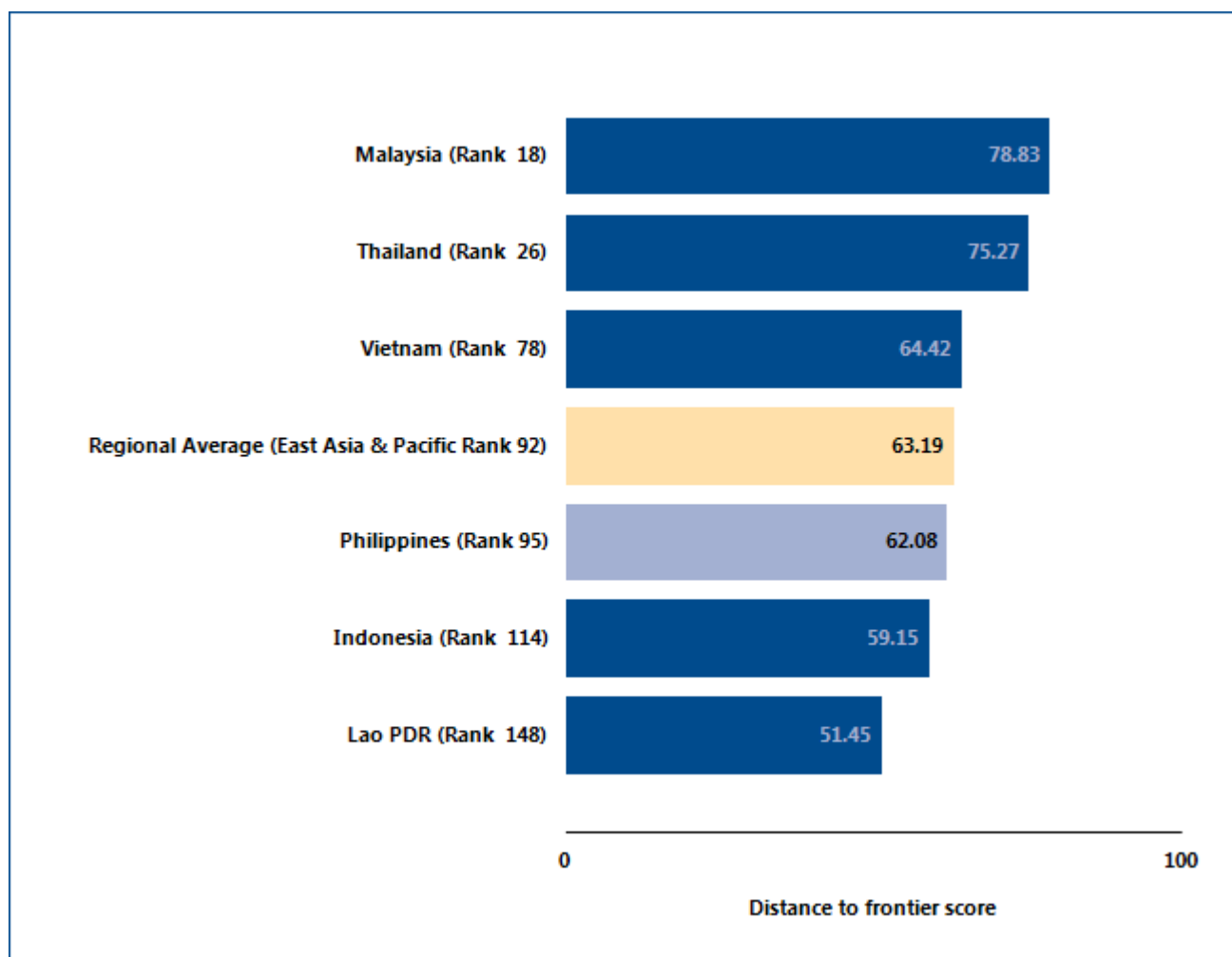
Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks relative to comparator economies and relative to the

regional average (figure 1.2). The economy's rankings (figure 1.3) and distance to frontier scores (figure 1.4) on the topics included in the ease of doing business ranking provide another perspective.

Figure 1.2 How Philippines and comparator economies rank on the ease of doing business



Note: The rankings are benchmarked to June 2014 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.

Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

Figure 1.3 Rankings on *Doing Business* topics - Philippines
 (Scale: Rank 189 center, Rank 1 outer edge)

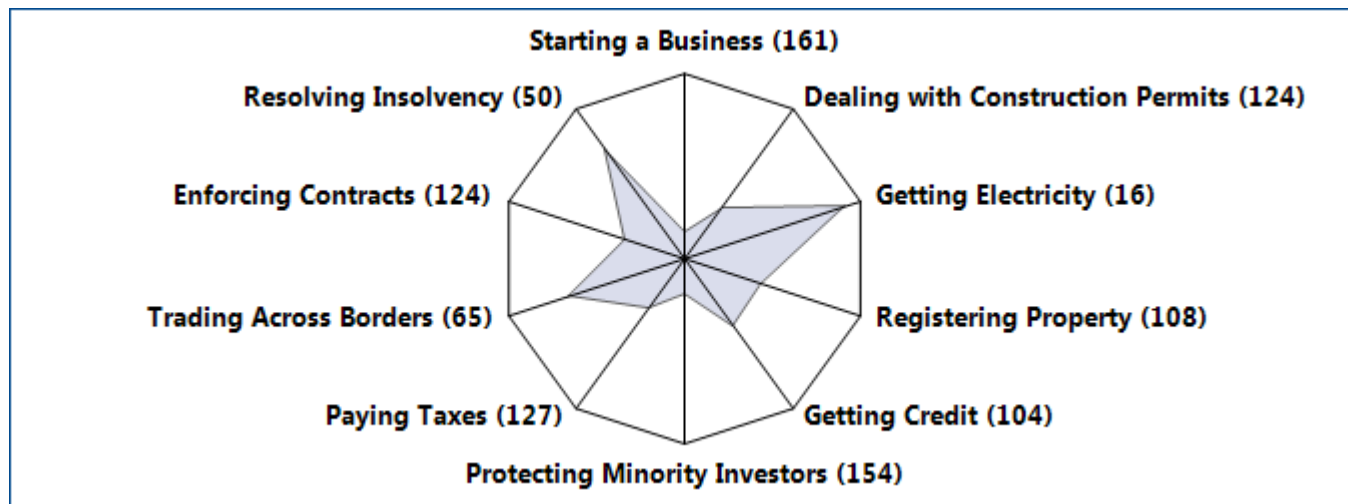
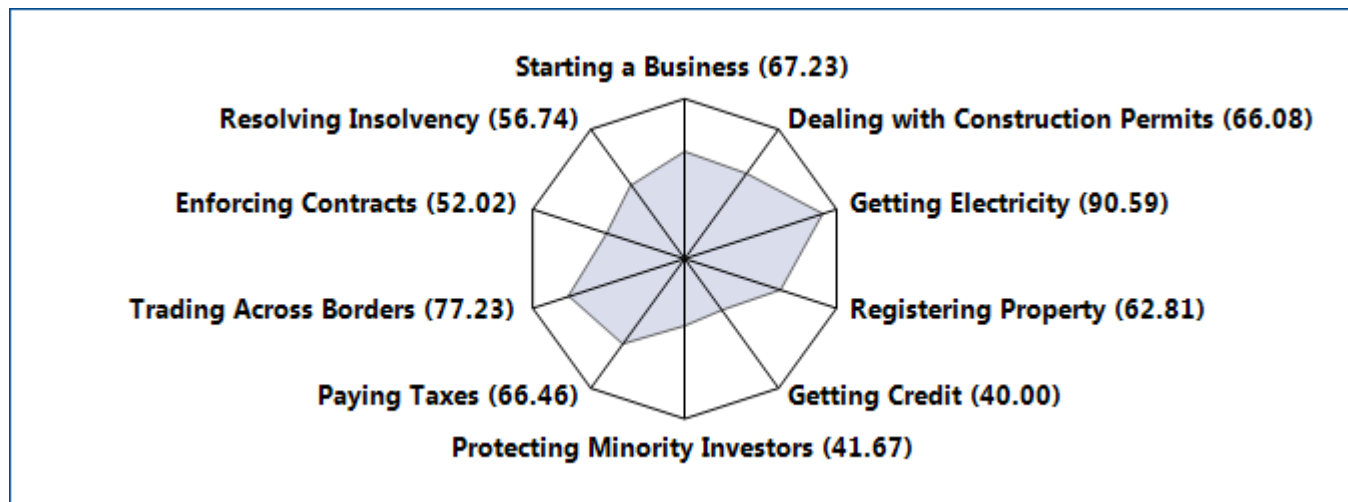


Figure 1.4 Distance to frontier scores on *Doing Business* topics - Philippines
 (Scale: Score 0 center, Score 100 outer edge)



Note: The rankings are benchmarked to June 2014 and based on the average of each economy’s distance to frontier (DTF) scores for the 10 topics included in this year’s aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy’s distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.
 Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

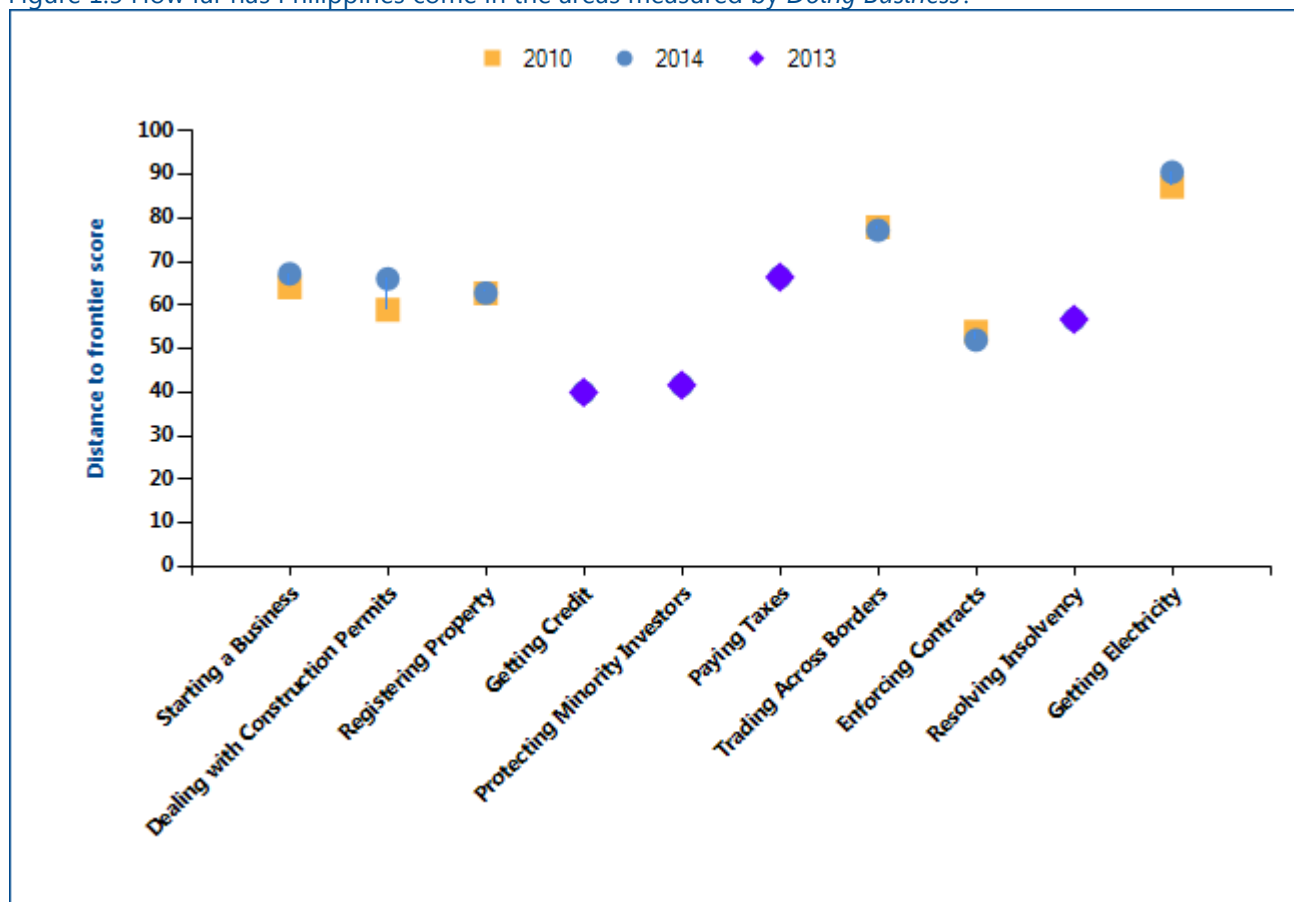
Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy’s regulatory environment for firms, but they are always relative.

Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes,

Doing Business introduced the distance to frontier score. This measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator.

Comparing the measure for an economy at 2 points in time allows users to assess how much the economy’s regulatory environment as measured by *Doing Business* has changed over time—how far it has moved toward (or away from) the most efficient practices and strongest regulations in areas covered by *Doing Business* (figure 1.5).

Figure 1.5 How far has Philippines come in the areas measured by *Doing Business*?



Note: The distance to frontier score shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2010, except for getting credit, paying taxes, protecting minority investors and resolving insolvency which had methodology changes in 2014 and thus are only comparable to 2013. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). See the data notes starting on page 114 of the *Doing Business 2015* report for more details on the distance to frontier score.

Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

The absolute values of the indicators tell another part of the story (table 1.1). The indicators, on their own or in comparison with the indicators of a good practice economy or those of comparator economies in the region, may reveal bottlenecks reflected in large numbers of procedures, long delays or high costs. Or they may reveal unexpected strengths in an area of business

regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost. Comparison of the economy's indicators today with those in the previous year may show where substantial bottlenecks persist—and where they are diminishing.

Table 1.1 Summary of *Doing Business* indicators for Philippines

Indicator	Philippines DB2015	Philippines DB2014	Indonesia DB2015	Lao PDR DB2015	Malaysia DB2015	Thailand DB2015	Vietnam DB2015	Best performer globally DB2015
Starting a Business (rank)	161	154	155	154	13	75	125	New Zealand (1)
Starting a Business (DTF Score)	67.23	66.40	68.84	68.95	94.90	87.98	77.68	New Zealand (99.96)
Procedures (number)	16.0	16.0	10.0	6.0	3.0	4.0	10.0	New Zealand (1.0)*
Time (days)	34.0	36.0	52.5	92.0	5.5	27.5	34.0	New Zealand (0.5)
Cost (% of income per capita)	16.6	18.7	21.1	5.7	7.2	6.6	5.3	Slovenia (0.0)
Paid-in min. capital (% of income per capita)	3.6	4.6	35.5	0.0	0.0	0.0	0.0	112 Economies (0.0)*
Dealing with Construction Permits (rank)	124	123	153	107	28	6	22	Hong Kong SAR, China (1)
Dealing with Construction Permits (DTF Score)	66.08	65.48	59.03	68.50	82.49	88.77	83.66	Hong Kong SAR, China (95.53)
Procedures (number)	24.0	24.0	17.0	22.0	13.0	7.0	10.0	Hong Kong SAR, China (5.0)

Indicator	Philippines DB2015	Philippines DB2014	Indonesia DB2015	Lao PDR DB2015	Malaysia DB2015	Thailand DB2015	Vietnam DB2015	Best performer globally DB2015
Time (days)	94.0	94.0	211.0	107.0	74.0	113.0	114.0	Singapore (26.0)
Cost (% of warehouse value)	1.2	1.6	4.3	0.6	1.3	0.1	0.7	Qatar (0.0)*
Getting Electricity (rank)	16	16	78	128	27	12	135	Korea, Rep. (1)
Getting Electricity (DTF Score)	90.59	90.49	76.90	65.29	86.67	91.71	63.38	Korea, Rep. (99.83)
Procedures (number)	4.0	4.0	5.0	5.0	5.0	4.0	6.0	12 Economies (3.0)*
Time (days)	42.0	42.0	90.7	134.0	32.0	35.0	115.0	Korea, Rep. (18.0)*
Cost (% of income per capita)	90.6	115.5	353.6	1,650.4	46.3	66.1	1,432.8	Japan (0.0)
Registering Property (rank)	108	107	117	77	75	28	33	Georgia (1)
Registering Property (DTF Score)	62.81	62.74	60.74	71.06	71.16	83.04	81.44	Georgia (99.88)
Procedures (number)	9.0	9.0	5.0	5.0	8.0	2.0	4.0	4 Economies (1.0)*
Time (days)	35.0	35.0	27.4	98.0	13.5	2.0	57.0	3 Economies (1.0)*
Cost (% of property value)	4.3	4.3	10.8	1.1	3.3	6.3	0.6	4 Economies (0.0)*
Getting Credit (rank)	104	99	71	116	23	89	36	New Zealand (1)
Getting Credit (DTF Score)	40.00	40.00	50.00	35.00	70.00	45.00	65.00	New Zealand (100)
Strength of legal rights index (0-12)	3	3	4	7	7	3	7	3 Economies (12)*
Depth of credit information index (0-8)	5	5	6	0	7	6	6	23 Economies (8)*
Credit registry coverage	0.0	0.0	46.4	3.5	56.2	0.0	41.8	Portugal (100.0)

Indicator	Philippines DB2015	Philippines DB2014	Indonesia DB2015	Lao PDR DB2015	Malaysia DB2015	Thailand DB2015	Vietnam DB2015	Best performer globally DB2015
(% of adults)								
Credit bureau coverage (% of adults)	11.3	9.3	0.0	0.0	78.6	52.7	1.4	23 Economies (100.0)*
Protecting Minority Investors (rank)	154	143	43	178	5	25	117	New Zealand (1)
Protecting Minority Investors (DTF Score)	41.67	41.67	60.83	29.17	74.17	65.83	46.67	New Zealand (81.67)
Extent of conflict of interest regulation index (0-10)	4.0	4.0	6.0	3.3	8.7	7.7	3.7	Singapore (9.3)*
Extent of shareholder governance index (0-10)	4.3	4.3	6.2	2.5	6.2	5.5	5.7	France (7.8)*
Strength of minority investor protection index (0-10)	4.2	4.2	6.1	2.9	7.4	6.6	4.7	New Zealand (8.2)
Paying Taxes (rank)	127	121	160	129	32	62	173	United Arab Emirates (1)*
Paying Taxes (DTF Score)	66.46	66.46	53.66	66.10	83.95	77.99	43.61	United Arab Emirates (99.44)*
Payments (number per year)	36.0	36.0	65.0	35.0	13.0	22.0	32.0	Hong Kong SAR, China (3.0)*
Time (hours per year)	193.0	193.0	253.5	362.0	133.0	264.0	872.0	Luxembourg (55.0)
Trading Across Borders (rank)	65	53	62	156	11	36	75	Singapore (1)
Trading Across Borders (DTF Score)	77.23	78.79	77.46	52.96	89.94	83.57	75.56	Singapore (96.47)
Documents to export (number)	6	6	4	10	4	5	5	Ireland (2)*

Indicator	Philippines DB2015	Philippines DB2014	Indonesia DB2015	Lao PDR DB2015	Malaysia DB2015	Thailand DB2015	Vietnam DB2015	Best performer globally DB2015
Time to export (days)	15.0	15.0	17.0	23.0	11.0	14.0	21.0	5 Economies (6.0)*
Cost to export (US\$ per container)	755.0	585.0	571.8	1,950.0	525.0	595.0	610.0	Timor-Leste (410.0)
Cost to export (deflated US\$ per container)	755.0	596.6	571.8	1,950.0	525.0	595.0	610.0	
Documents to import (number)	7	7	8	10	4	5	8	Ireland (2)*
Time to import (days)	15.0	14.0	26.0	26.0	8.0	13.0	21.0	Singapore (4.0)
Cost to import (US\$ per container)	915.0	660.0	646.8	1,910.0	560.0	760.0	600.0	Singapore (440.0)
Cost to import (deflated US\$ per container)	915.0	673.1	646.8	1,910.0	560.0	760.0	600.0	
Enforcing Contracts (rank)	124	124	172	99	29	25	47	Singapore (1)
Enforcing Contracts (DTF Score)	52.02	52.02	37.28	57.49	69.39	70.05	65.89	Singapore (89.54)
Time (days)	842.0	842.0	471.0	443.0	425.0	440.0	400.0	Singapore (150.0)
Cost (% of claim)	31.0	31.0	115.7	31.6	37.3	15.0	29.0	Iceland (9.0)
Procedures (number)	37.0	37.0	40.0	42.0	29.0	36.0	36.0	Singapore (21.0)*
Resolving Insolvency (rank)	50	48	75	189	36	45	104	Finland (1)
Resolving Insolvency (DTF Score)	56.74	56.77	46.75	0.00	65.61	58.73	41.27	Finland (93.85)
Time (years)	2.7		1.9	no practice	1.0	2.7	5.0	Ireland (0.4)
Cost (% of estate)	32.0	32.0	21.6	no practice	10.0	36.0	14.5	Norway (1.0)

Indicator	Philippines DB2015	Philippines DB2014	Indonesia DB2015	Lao PDR DB2015	Malaysia DB2015	Thailand DB2015	Vietnam DB2015	Best performer globally DB2015
Outcome (0 as piecemeal sale and 1 as going concern)	0	0	0	no practice	1	1	0	
Recovery rate (cents on the dollar)	21.2	21.3	31.7	0.0	81.3	42.3	18.6	Japan (92.9)
Strength of insolvency framework index (0-16)	14.5	14.5	9.5	no practice	7.0	11.5	10.0	5 Economies (15.0)*

Note: DB2014 rankings shown are not last year's published rankings but comparable rankings for DB2014 that capture the effects of such factors as data corrections and changes to the methodology. Trading across borders deflated and non-deflated values are identical in DB2015 because it is defined as the base year for the deflator. The best performer on time for paying taxes is defined as the lowest time recorded among all economies in the DB2015 sample that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and VAT or sales tax. If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a “no practice” mark. Similarly, an economy receives a “no practice” or “not possible” mark if regulation exists but is never used in practice or if a competing regulation prohibits such practice. Either way, a “no practice” mark puts the economy at the bottom of the ranking on the relevant indicator.

* Two or more economies share the top ranking on this indicator. A number shown in place of an economy's name indicates the number of economies that share the top ranking on the indicator. For a list of these economies, see the *Doing Business* website (<http://www.doingbusiness.org>).

Source: *Doing Business* database.

STARTING A BUSINESS

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Legal entities can outlive their founders. Resources are pooled as several shareholders join forces to start a company. Formally registered companies have access to services and institutions from courts to banks as well as to new markets. And their employees can benefit from protections provided by the law. An additional benefit comes with limited liability companies. These limit the financial liability of company owners to their investments, so personal assets of the owners are not put at risk. Where governments make registration easy, more entrepreneurs start businesses in the formal sector, creating more good jobs and generating more revenue for the government.

What do the indicators cover?

Doing Business measures the ease of starting a business in an economy by recording all procedures officially required or commonly done in practice by an entrepreneur to start up and formally operate an industrial or commercial business—as well as the time and cost required to complete these procedures. It also records the paid-in minimum capital that companies must deposit before registration (or within 3 months). The ranking of economies on the ease of starting a business is determined by sorting their distance to frontier scores for starting a business. These scores are the simple average of the distance to frontier scores for each of the component indicators.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the procedures. It assumes that all information is readily available to the entrepreneur and that there has been no prior contact with officials. It also assumes that the entrepreneur will pay no bribes. And it assumes that the business:

- Is a limited liability company, located in the largest business city and is 100% domestically owned¹.
- Has between 10 and 50 employees.
- Conducts general commercial or industrial activities.
- Has a start-up capital of 10 times income per capita.
- Has a turnover of at least 100 times income per capita.
- Does not qualify for any special benefits.
- Does not own real estate.

WHAT THE STARTING A BUSINESS

INDICATORS MEASURE

Procedures to legally start and operate a company (number)

Preregistration (for example, name verification or reservation, notarization)

Registration in the economy's largest business city¹

Postregistration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day (2 procedures cannot start on the same day). Procedures that can be fully completed online are recorded as ½ day.

Procedure completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

No professional fees unless services required by law

Paid-in minimum capital (% of income per capita)

Deposited in a bank or with a notary before registration (or within 3 months)

¹ For the 11 economies with a population of more than 100 million, data for a second city have been added.

STARTING A BUSINESS

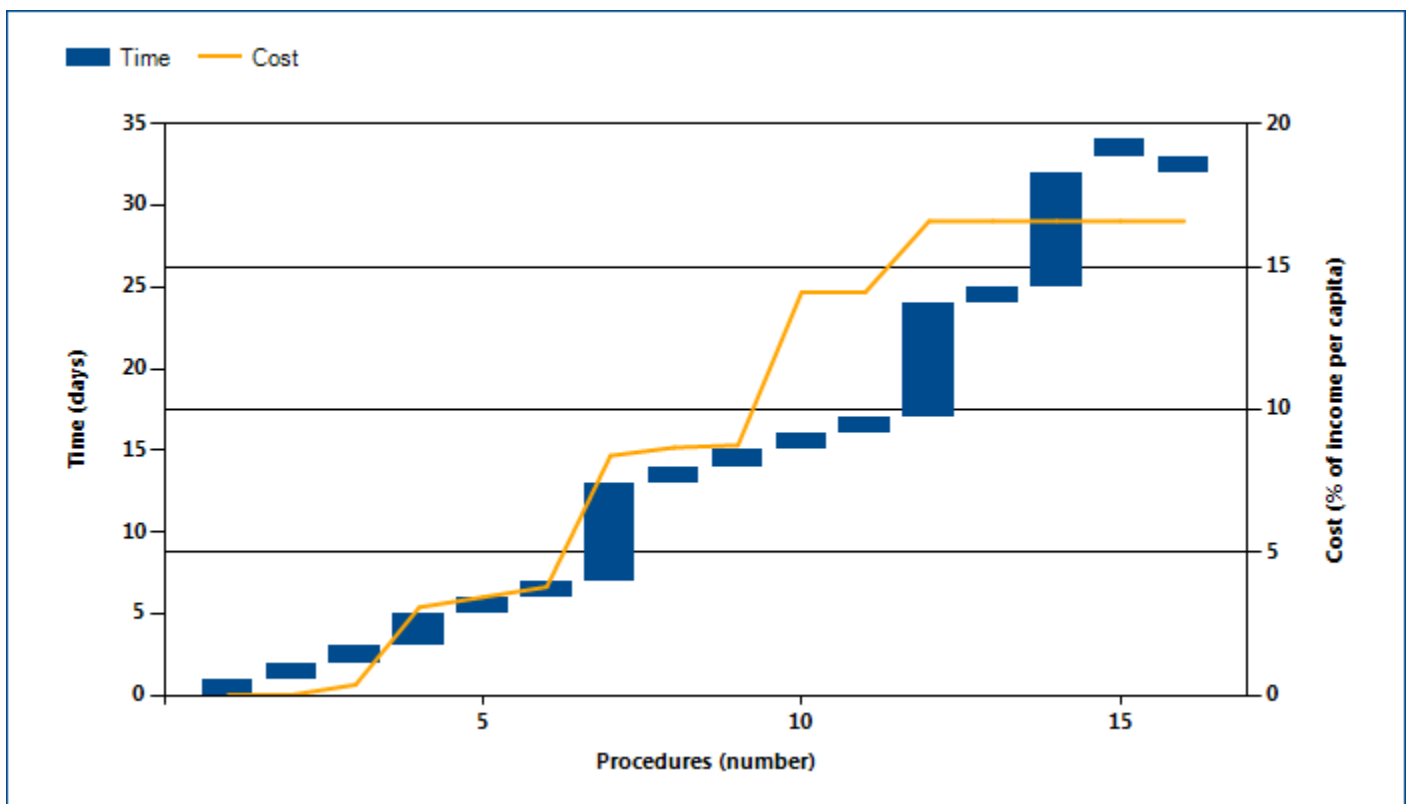
Where does the economy stand today?

What does it take to start a business in Philippines? According to data collected by *Doing Business*, starting a business there requires 16.0 procedures, takes 34.0 days, costs 16.6% of income per capita and requires paid-in minimum capital of 3.6% of income per capita (figure 2.1). Most indicator sets refer to a case scenario in the

largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 2.1 What it takes to start a business in Philippines -

Paid-in minimum capital (% of income per capita): 3.6



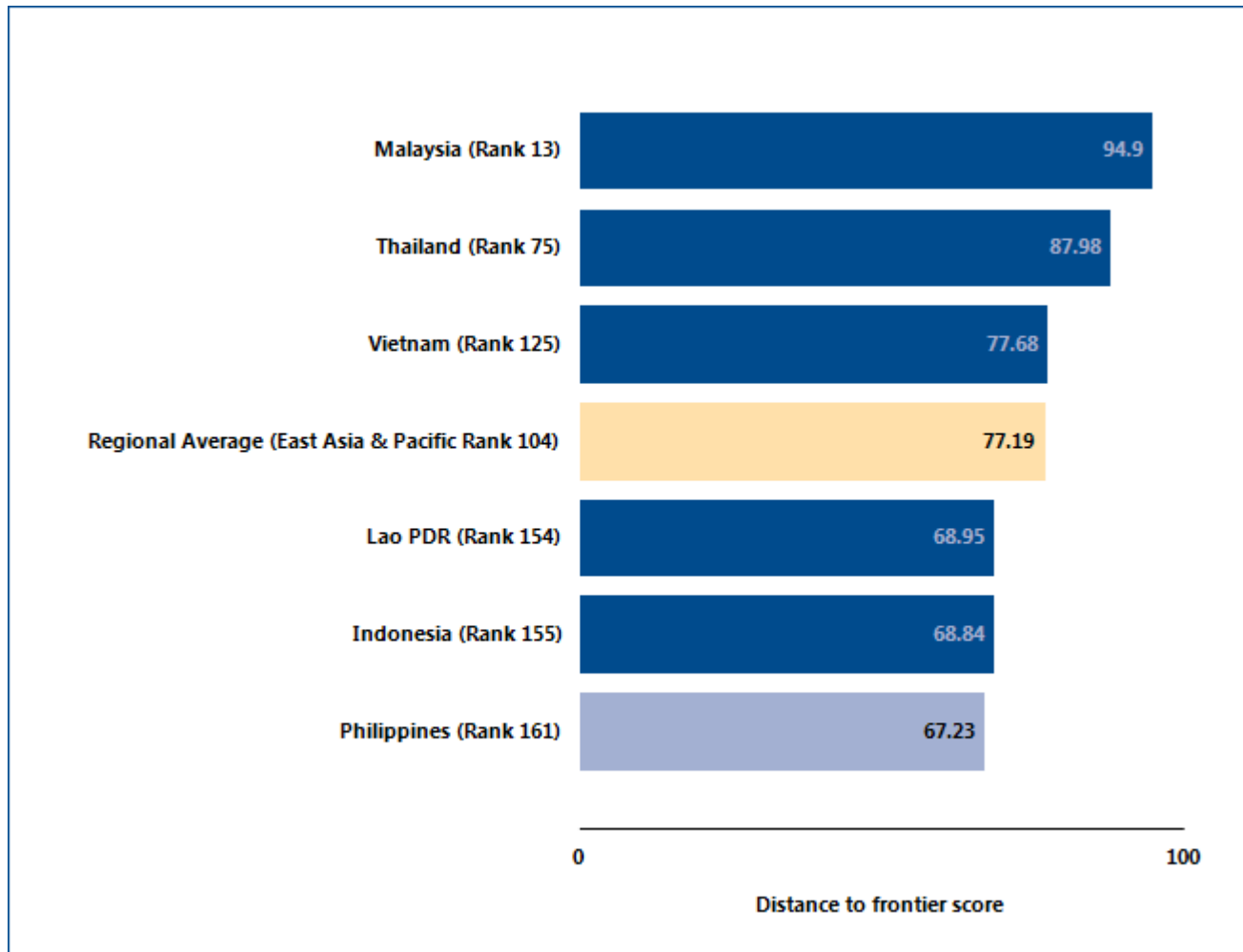
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the starting a business indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter. Source: *Doing Business* database.

STARTING A BUSINESS

Globally, Philippines stands at 161 in the ranking of 189 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies and the regional

average ranking provide other useful information for assessing how easy it is for an entrepreneur in Philippines to start a business.

Figure 2.2 How Philippines and comparator economies rank on the ease of starting a business



Source: Doing Business database.

STARTING A BUSINESS

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and

they often are part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in Philippines (table 2.1)?

Table 2.1 How has Philippines made starting a business easier—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2011	The Philippines eased business startup by setting up a one-stop shop at the municipal level.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

STARTING A BUSINESS

What are the details?

Underlying the indicators shown in this chapter for Philippines is a set of specific procedures—the bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new firm. These are identified by *Doing Business* through collaboration with relevant local professionals and the study of laws, regulations and publicly available information on business entry in that economy. Following is a detailed summary of those procedures, along with the associated time and cost. These procedures are those that apply to a company matching the standard assumptions (the “standardized company”) used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators measure).

STANDARDIZED COMPANY

Legal form: Corporation

Paid in minimum capital requirement: PHP 5,000

City: Quezon City

Start-up Capital: 10 times GNI per capita

Table 2.2 Summary of time, cost and procedures for starting a business in Philippines -

No.	Procedure	Time to complete	Cost to complete
1	<p>Verify and reserve the company name with the Securities and Exchange Commission (SEC)</p> <p>The name search can be done electronically via the SEC's online verification system, but applicants must pay for the reservation fee on site at the SEC. Once the reserved name was approved by the SEC, it costs PHP 40 for the first 30 days. The company name can be reserved for a maximum of 90 days for a fee of PHP 120, which is renewable upon expiration of the period.</p> <p><i>Agency: Securities and Exchange Commission</i></p>	1 day	PHP 40
2	<p>Deposit the paid-in minimum capital at the bank</p> <p>According to Section 13 of the Corporation Code, the paid-in minimum capital is 5000 pesos. Even though a certificate of deposit is not a requirement by the Securities and Exchange Commission (SEC) for company registration, this procedure must be completed in order to abide by the applicable law.</p> <p><i>Agency: Bank</i></p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
3	<p>Notarize articles of incorporation and treasurer's affidavit at the notary</p> <p>According to Section 14 and 15 of the Corporation Code, articles of incorporation should be notarized before filing with the SEC.</p> <p><i>Agency: Notary</i></p>	1 day	PHP 500
4	<p>Register the company with the SEC and receive pre-registered Taxpayer Identification Number (TIN)</p> <p>The company can register online through SEC i-Register, but entrepreneurs must pay at the SEC. The following documents are required for SEC registration:</p> <ul style="list-style-type: none"> a. Company name verification slip; b. Articles of incorporation (notarized) and by-laws; c. Treasurer's affidavit (notarized); d. Statement of assets and liabilities; e. Registration data sheet with particulars on directors, officers, stockholders, and so forth; f. Written undertaking to comply with SEC reporting requirements (notarized); g. Written undertaking to change corporate name (notarized). <p>On August 15, 2011, SEC launched the Green Lane Unit (GLU) that provides 1 day registration of applications for stock corporations and partnership. In practice, it takes 1-3 business days to process incorporation papers and obtain SEC approval.</p> <p>The pre-registered Taxpayer Identification Number (TIN) is automatically obtained from the SEC Head Office upon registration. However, the company must still register with the Bureau of Internal Revenue (BIR) in order to identify applicable tax types, pay an annual registration fee, obtain and stamp sales invoices, receipts and the books of accounts.</p> <p>Cost: (PHP 2,066.14 filing fee equivalent to 1/5 of 1% of the authorized capital stock or the subscription price of the subscribed capital stock, whichever is higher but not less than PHP 1,000 + PHP 19.26 legal research fee (LRF) equivalent to 1% of filing fee but not less than PHP 10 + PHP 500 By-laws + PHP 150 for registration of stock and transfer book (STB) required for new corporations + PHP 320 STB + PHP 10 legal research fee for the By-laws)</p> <p><i>Agency: Securities and Exchange Commission</i></p>	2 days on average	see procedure details

No.	Procedure	Time to complete	Cost to complete
5	<p>Obtain barangay clearance</p> <p>To get the barangay clearance, the following documentary requirements should be submitted to the Barangay: Application form, SEC Certificate of Incorporation and approved articles of incorporation and bylaws, location plan/site map and the contract of lease over the corporation's office.</p> <p>This clearance is obtained from the Barangay where the business is located. Barangay fees vary in each Barangay since they have the discretion to impose their own fees and charges as long as these fees are reasonable and within the limits set by the Local Government Code and city ordinances. In Quezon City, the fees range from PHP 300 to PHP 1000.</p> <p>The clearance is obtained in one day, provided that the barangay captain is in the office as the captain is the only official authorized to sign.</p> <p><i>Agency: Barangay</i></p>	1 day	PHP 500
6	<p>Pay the annual community tax and obtain the community tax certificate (CTC) from the City Treasurer's Office (CTO)</p> <p>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 PHP 2.00 for every PHP 5,000.00 and on its gross receipts, including dividends or earnings, derived from business activities in the Philippines during the preceding year, at the rate of PHP 2.00 for every PHP 5,000.00.</p> <p><i>Agency: City Treasurer's Office</i></p>	1 day	PHP 500
7	<p>Obtain the business permit to operate from the BPLO</p> <p>The fees vary depending on the LGU issuing the permit. The rate of license fee imposed in Quezon City is 25% of 1% of the authorized capital stock. Other permits, such as location clearance, fire safety and inspection certificate, sanitary permit, certificate of electrical inspection, mechanical permit, and other clearances or certificates required depending on the nature of business, are also imposable. The rate of these fees depends on the nature of business and land area occupied by the proposed corporation.</p> <p>The barangay clearance is a prerequisite for the issuance of business permit to operate.</p> <p>Executive Order No. 17, series of 2011 created the Business-One-Stop-Shop to obtain a business permit. The entire procedure including</p>	6 days	see procedure details

No.	Procedure	Time to complete	Cost to complete
	<p>getting approval for the business permit takes around one to two weeks.</p> <p>Cost: (PHP 2,408.05 business tax (25% of 1% of paid-up capital) + PHP 200 mayor's permit + PHP 150 sanitary inspection fee + PHP 50 signboard fee + PHP 300 business plate + PHP 100 QCBRB + PHP 545 zoning clearance + PHP 1,300 garbage fee+ PHP 300 FSIC (10% of all regulatory fees))</p> <p><i>Agency: Business Permits and Licensing Office</i></p>		
8	<p>Buy special books of account at bookstore</p> <p>Special books of accounts are required for registering with the BIR. The books of accounts are sold at bookstores nationwide. One set of journals consisting of four books (cash receipts account, disbursements account, ledger, general journal) costs about PHP 400.</p> <p>If the company has a computerized accounting system (CAS), it may opt to register its CAS under the procedures laid out in BIR Revenue Memorandum Order Nos. 21-2000 and 29-2002.</p> <p>The BIR Computerized System Evaluation Team is required to inspect and evaluate the company's CAS within 30 days from receipt of the application form (BIR Form No. 1900) and complete documentary requirements.</p> <p><i>Agency: Bookstore</i></p>	1 day	PHP 400
9	<p>Apply for Certificate of Registration (COR) and TIN at the Bureau of Internal Revenue (BIR)</p> <p>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).</p> <p>All newly formed corporations subject to SEC registration are issued pre-generated TIN by SEC-Head Office, which is indicated on their SEC Certificate of Registration. The corporation only has to register its pre-generated TIN with the BIR and report all internal revenue taxes that it expects to be liable for.</p> <p>The requirements for application for COR with the BIR are:</p> <ol style="list-style-type: none"> Duly accomplished and filled-out BIR Form No. 1903 (Application for Registration for Corporations); Payment Form (BIR Form No. 0605); SEC Certification of Incorporation; Articles of Incorporation and By-laws; Contract of Lease (with BIR Form No. 2000 and supporting BIR Payment Form as proof of payment of documentary stamp tax on the 	1 day	<p>PHP 100 (certification fee) and PHP 15 (documentary stamp tax, in loose form to be attached to Form 2303)</p>

No.	Procedure	Time to complete	Cost to complete
	<p>lease agreement); f. Documentary Stamp Tax Return (BIR Form No. 2000) on the original issuance of shares and Payment Form (for the DST payment); and g. Mayor's Permit/Business Permit Application (duly stamped received by the Business Licensing Division of the local government of Quezon City).</p> <p><i>Agency: Bureau of Internal Revenue</i></p>		
10	<p>Pay the registration fee and documentary stamp taxes (DST) at the AAB</p> <p>The rate of documentary stamp tax on original issuance of shares of stock shall be PHP 1.00 for every PHP 200.00 or fractional part thereof, of the par value, of such shares of stock.</p> <p>The documentary stamp tax return shall be filed and the tax paid on or before the fifth (5th) day after the close of the month of approval of SEC registration.</p> <p>Cost: (PHP 500 registration fee + PHP 5,165.345 DST on original issuance of shares of stock. DST on the lease contract is not included in the computation of the cost)</p> <p><i>Agency: Bureau of Internal Revenue</i></p>	1 day	see procedure details
11	<p>Obtain the authority to print receipts and invoices from the BIR</p> <p>The authority to print receipts and invoices must be secured before printing the sales receipts and invoices. The BIR issued Revenue Regulations No. 18-2012 and it became effective on January 18, 2013. It adopted the online system for authority to print official receipts, sales invoices and other commercial invoices. In this regard, all unused or unissued receipts and invoices which were printed prior to January 18, 2013 will be deemed valid only until June 30, 2013.</p> <p>To obtain the authority to print receipts and invoices from the BIR, the company must submit the following documents to the Revenue District Office (RDO):</p> <ol style="list-style-type: none"> Duly completed application for authority to print receipts and invoices (BIR Form No. 1906); Job order; Final and clear sample of receipts and invoices (machine-printed); Application for registration (BIR Form No. 1903); and Proof of payment of annual registration fee (BIR Form No. 0605). <p><i>Agency: Bureau of Internal Revenue</i></p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
12	<p>Print receipts and invoices at the print shop</p> <p>The cost is based on the following specifications of the official receipt: 1/2 bond paper (8 ½ x 5 ½ cm) in duplicate, black print, carbonless. The minimum print volume is 25 booklets.</p> <p><i>Agency: Bureau of Internal Revenue</i></p>	7 days	PHP 3,500
13	<p>Have books of accounts and Printer's Certificate of Delivery (PCD) stamped by the BIR</p> <p>After the printing of receipts and invoices, the printer issues a Printer's Certificate of Delivery of Receipts and Invoices (PCD) to the company, which must submit this to the appropriate BIR RDO (i.e., the RDO which has jurisdiction over the company's principal place of business) for registration and stamping within thirty (30) days from issuance. The company must also submit the following documents:</p> <ul style="list-style-type: none"> a. All required books of accounts; b. VAT registration certificate; c. SEC registration; d. BIR Form W-5; e. Certified photocopy of the ATP; and f. Notarized taxpayer-user's sworn statement enumerating the responsibilities and commitments of the taxpayer-user. <p>The company must also submit a copy of the PCD to the BIR RDO having jurisdiction over the printer's principal place of business.</p> <p><i>Agency: Bureau of Internal Revenue</i></p>	1 day	no charge
14	<p>Register with the Social Security System (SSS)</p> <p>To register with the SSS, the company must submit the following documents:</p> <ul style="list-style-type: none"> a. Employer registration form (Form R-1); b. Employment report (Form R-1A); c. List of employees, specifying their birth dates, positions, monthly salary and date of employment; and d. Articles of incorporation, by-laws and SEC registration. <p>Upon submission of the required documents, the SSS employer and employee numbers will be released. The employees may attend an SSS training seminar after registration. SSS prefers that all members go through such training so that each member is aware of their rights and obligations.</p> <p><i>Agency: Social Security System</i></p>	7 days	no charge

No.	Procedure	Time to complete	Cost to complete
15	<p>Register with the Philippine Health Insurance Company (PhilHealth)</p> <p>To register with PhilHealth, the company must submit the following documents:</p> <ul style="list-style-type: none"> a. Employer data record (Form ER1); b. Report of employee-members (Form ER2); c. SEC registration; d. BIR registration; and e. Copy of business permit. <p>Upon submission of the required documents, the company shall get the receiving copy of all the forms as proof of membership until PhilHealth releases the employer and employee numbers within three months.</p> <p><i>Agency: Philippine Health Insurance Corporation</i></p>	1 day	no charge
16	<p>* Register with Home Development Mutual Fund (Pag-ibig)</p> <p>To register with the HDMF, the corporation must submit the following documents:</p> <ul style="list-style-type: none"> a. Employer's Data Form (EDF [FPF040]); b. Specimen Signature Form (SSF[FPF170]); c. Copy of SEC Certificate of Incorporation; d. Copy of Approved Articles of Incorporation and By-laws; and e. Board Resolution or Secretary's Certificate indicating the duly designated Authorized Representative. <p>Upon submission of the complete documents and payment of the first contribution to the fund, the Pag-IBIG will issue the HDMF number and the HDMF Certificate of Registration.</p> <p><i>Agency: Home Development Mutual Fund</i></p>	1 day (simultaneous with previous procedure)	no charge

* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

Regulation of construction is critical to protect the public. But it needs to be efficient, to avoid excessive constraints on a sector that plays an important part in every economy. Where complying with building regulations is excessively costly in time and money, many builders opt out. They may pay bribes to pass inspections or simply build illegally, leading to hazardous construction that puts public safety at risk. Where compliance is simple, straightforward and inexpensive, everyone is better off.

What do the indicators cover?

Doing Business records the procedures, time and cost for a business in the construction industry to obtain all the necessary approvals to build a warehouse in the economy's largest business city, connect it to basic utilities and register the warehouse so that it can be used as collateral or transferred to another entity.

The ranking of economies on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the warehouse, including the utility connections.

The business:

- Is a limited liability company operating in the construction business and located in the largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added. Is domestically owned and operated.
- Has 60 builders and other employees.

The warehouse:

- Is valued at 50 times income per capita.
- Is a new construction (there was no previous construction on the land).

WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

Procedures to legally build a warehouse (number)

Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates

Submitting all required notifications and receiving all necessary inspections

Obtaining utility connections for water and sewerage

Registering the warehouse after its completion (if required for use as collateral or for transfer of the warehouse)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day.

Procedure considered completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of warehouse value)

Official costs only, no bribes

- Will have complete architectural and technical plans prepared by a licensed architect or engineer.
- Will be connected to water and sewerage (sewage system, septic tank or their equivalent). The connection to each utility network will be 150 meters (492 feet) long.
- Will be used for general storage, such as of books or stationery (not for goods requiring special conditions).
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

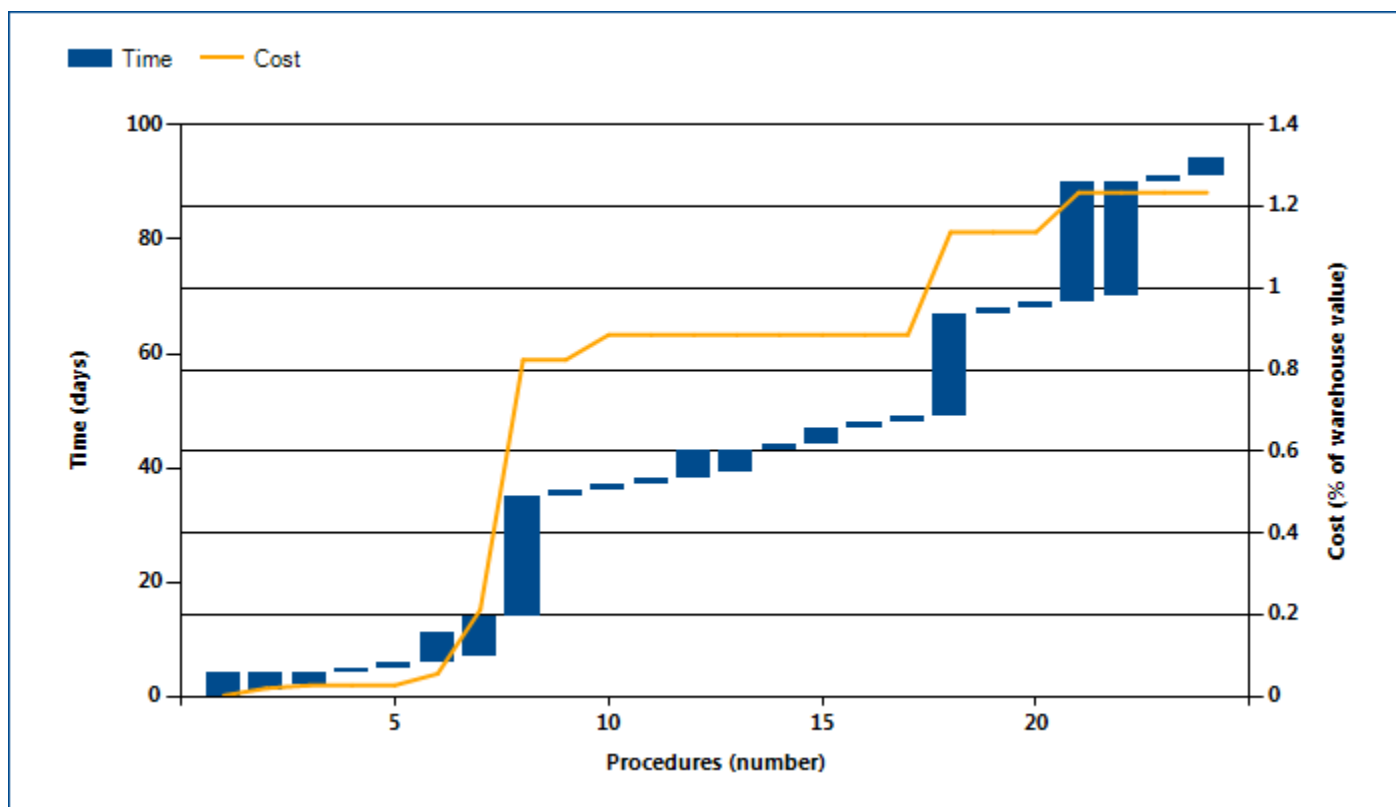
DEALING WITH CONSTRUCTION PERMITS

Where does the economy stand today?

What does it take to comply with the formalities to build a warehouse in Philippines? According to data collected by *Doing Business*, dealing with construction permits there requires 24.0 procedures, takes 94.0 days and costs 1.2% of the warehouse value (figure 3.1). Most indicator sets refer to a case scenario in the largest business city of

an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 3.1 What it takes to comply with formalities to build a warehouse in Philippines -



Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the dealing with construction permits indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

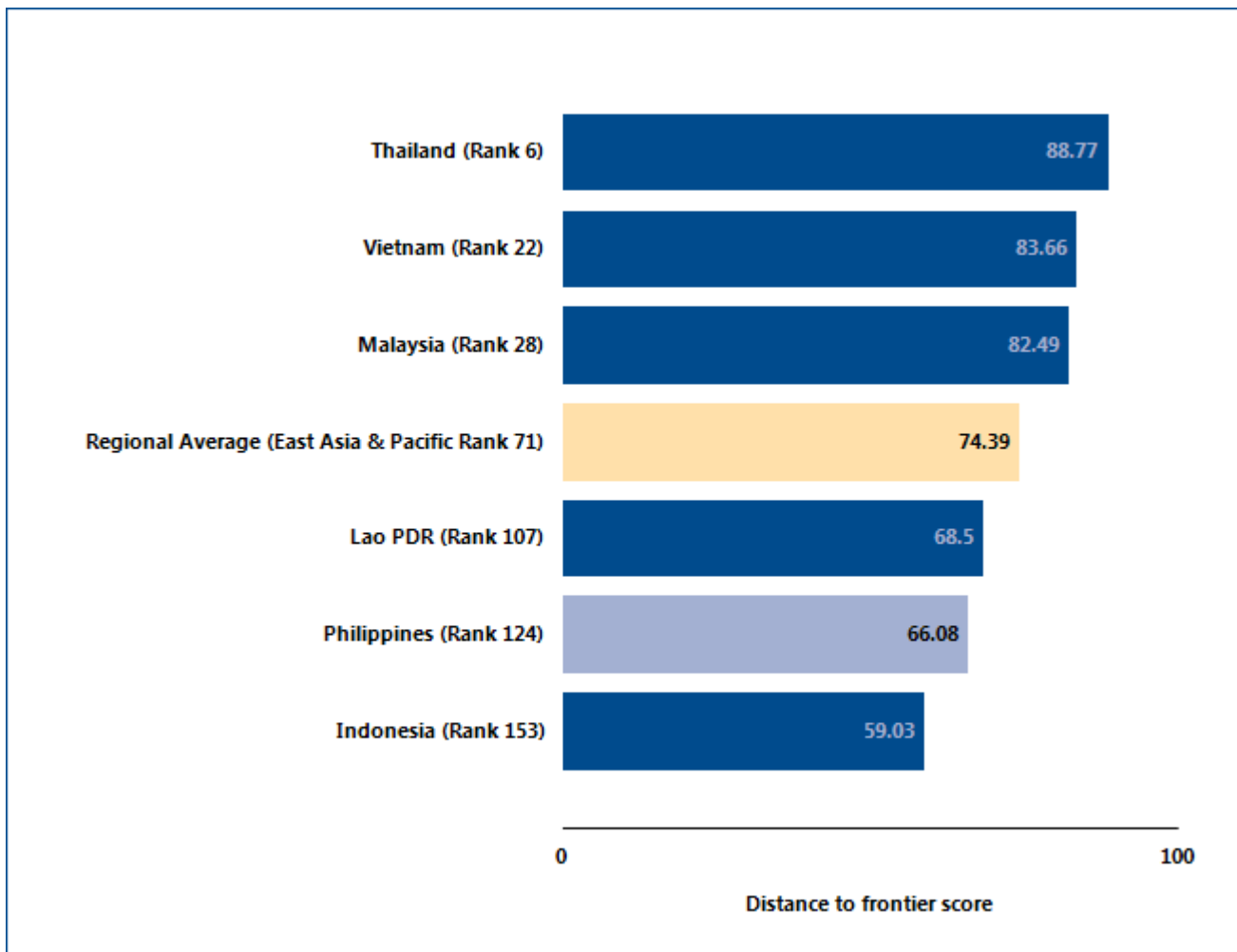
Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

Globally, Philippines stands at 124 in the ranking of 189 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator economies and the regional average ranking provide

other useful information for assessing how easy it is for an entrepreneur in Philippines to legally build a warehouse.

Figure 3.2 How Philippines and comparator economies rank on the ease of dealing with construction permits



Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

Smart regulation ensures that standards are met while making compliance easy and accessible to all. Coherent and transparent rules, efficient processes and adequate allocation of resources are especially important in sectors where safety is at stake. Construction is one of them. In

an effort to ensure building safety while keeping compliance costs reasonable, governments around the world have worked on consolidating permitting requirements. What construction permitting reforms has *Doing Business* recorded in Philippines (table 3.1)?

Table 3.1 How has Philippines made dealing with construction permits easier—or not?

By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2011	The Philippines made construction permitting more cumbersome through updated electricity connection costs.
DB2014	The Philippines made dealing with construction permits easier by eliminating the requirement to obtain a health certificate.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

DEALING WITH CONSTRUCTION PERMITS

What are the details?

The indicators reported here for Philippines are based on a set of specific procedures—the steps that a company must complete to legally build a warehouse—identified by *Doing Business* through information collected from experts in construction licensing, including architects, civil engineers, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations. These procedures are those that apply to a company and structure matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

BUILDING A WAREHOUSE

Estimated cost of construction : **PHP 7,037,832**

City : **Quezon City**

The procedures, along with the associated time and cost, are summarized below.

Table 3.2 Summary of time, cost and procedures for dealing with construction permits in Philippines -

No.	Procedure	Time to complete	Cost to complete
1	<p>Obtain certified true copy of the land title from the Register of Deeds (RD)</p> <p>The certified true copy of the land title serves as proof of ownership of the land on which the warehouse is to be built.</p> <p><i>Agency: Register of Deeds (RD)</i></p>	4 days	PHP 209
2	<p>* Obtain lot plan with site map from the geodetic engineer</p> <p>BuildCo must obtain the lot plan with a site map from a geodetic engineer to confirm the location of the land purported to be in the land title. The lot plan with a site map is signed, sealed, and prepared after a meticulous geodetic survey, or at least after an analysis has been conducted of the lot technical description appearing on the title.</p> <p><i>Agency: Geodetic Engineer</i></p>	3 days	PHP 1,250
3	<p>* Obtain barangay clearance</p> <p>The barangay clearance is generally a requirement for obtaining the locational clearance. The costs for barangay clearances vary as barangays have the discretion to impose their own fees for as long as such fees are reasonable and within the limits imposed by the Local Government Code and city ordinances.</p> <p><i>Agency: Barangay</i></p>	1 day	PHP 500

No.	Procedure	Time to complete	Cost to complete
4	<p>Apply for the locational clearance at the City Planning and Development Office (CPDO)</p> <p>The locational clearance is required to ensure that the construction conforms to the city's Comprehensive Land Use Plan and zoning ordinances.</p> <p>BuildCo must submit the following documents:</p> <ul style="list-style-type: none"> • Notarized locational clearance application form • Barangay clearance • Transfer Certificate of Title (TCT) • Latest real property tax receipt • Architectural plan <p><i>Agency: City Planning and Development Office (CPDO)</i></p>	1 day	no charge
5	<p>Receive inspection for the locational clearance from the CPDO</p> <p><i>Agency: City Planning and Development Office (CPDO)</i></p>	1 day	no charge
6	<p>Obtain the locational clearance from the CPDO</p> <p>BuildCo pays the locational clearance fee at the City Treasurer's Office (CTO) and obtains the locational clearance at the CPDO.</p> <p><i>Agency: City Planning and Development Office (CPDO)</i></p>	5 days	PHP 1,996
7	<p>* Apply and obtain fire safety evaluation clearance (FSEC) from the local Fire Marshall at the Bureau of Fire Protection (BFP)</p> <p>The City Fire Marshall evaluates one set of plans and specifications submitted by the applicant to ensure that they conform to the fire safety and control requirements of the Fire Code. Three sets of the architectural plans must be stamped and approved by the Quezon City Fire Marshall.</p> <p><i>Agency: Quezon City Fire Marshall - Bureau of Fire Protection (BFP)</i></p>	7 days	PHP 11,055
8	<p>Apply and obtain the building permit and ancillary permits at the Office of the Building Official (OBO)</p> <p>The ancillary permits consist of:</p> <ul style="list-style-type: none"> • The architectural permit • Civil/structural permit • Electrical permit • Mechanical permit • Sanitary permit • Plumbing permit • Electronics permit 	21 days	PHP 43,043

No.	Procedure	Time to complete	Cost to complete
	<p>•Fire Safety Clearance, Brgy. Clearance, bill of materials, ECC, PTR & PRC of professionals</p> <p>The applicant must submit the following requirements:</p> <ul style="list-style-type: none"> • Certified true copy of Original Certificate of Title (OCT)/TCT on file with the Registry of Deeds • Photocopy of tax declaration • Building permit application form • 3 sets of survey plans, design plans, specifications and other related documents (i.e., architectural documents, civil/structural documents, electrical documents, mechanical documents, sanitary documents, plumbing documents, electronics documents, geodetic documents, and clearances from other agencies) • Locational clearance from the CPDO <p>If the sets of documents are complete, an acknowledgement/follow-up slip (afs) is issued to the applicant. 10 workings after, the applicant will receive a order of payment (OP) is obtained from the Releasing Section of the DBO. Payment is made at the cashier of the Quezon City Treasurer’s Office. The official receipt (O.R.) of the permit fees is then submitted to the Releasing Section of DBO. The building permit will then be issued 5 working after submitting the proof of payment.</p> <p><i>Agency: Office of the Building Official (OBO)</i></p>		
9	<p>Receive inspection from the BFP during construction</p> <p>The BFP conducts an inspection during construction to ensure that the plans and fire safety precautions are observed.</p> <p><i>Agency: Bureau of Fire Protection (BFP)</i></p>	1 day	no charge
10	<p>Apply for the fire safety inspection certificate (FSIC) at the BFP</p> <p>Once construction has been completed, BuildCo requests the BFP to inspect the site to certify that the required fire safety construction, fire protective and/or warning systems are properly installed and in good working condition.</p> <p><i>Agency: Bureau of Fire Protection (BFP)</i></p>	1 day	PHP 4,304
11	<p>Receive final inspection for the FSIC from the BFP</p> <p><i>Agency: Bureau of Fire Protection (BFP)</i></p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
12	<p>Obtain the FSIC from the BFP</p> <p><i>Agency: Bureau of Fire Protection (BFP)</i></p>	5 days	no charge
13	<p>* Apply for the certificate of final electrical inspection (CFEI) at the OBO</p> <p>The CFEI certifies that a final inspection of the electrical installation has been conducted and that such installation has been completed in accordance with the approved plans and specifications on file with the OBO and the provisions of the Philippines Electrical Code.</p> <p><i>Agency: Office of the Building Official (OBO)</i></p>	1 day	no charge
14	<p>Receive final inspection for the CFEI from the OBO</p> <p><i>Agency: Office of the Building Official (OBO)</i></p>	1 day	no charge
15	<p>Obtain the CFEI from the OBO</p> <p><i>Agency: Office of the Building Official (OBO)</i></p>	3 days	no charge
16	<p>Apply for the certificate of occupancy at the OBO</p> <p>In order to apply for a certificate of occupancy, BuildCo must submit the following to the OBO:</p> <ul style="list-style-type: none"> • Application for certificate of occupancy • FSIC • Health certificate • Duly notarized certificate of completion • Construction logbook • As-built plans and specifications • Building inspection sheet <p>All documents should be signed and sealed by the architect or engineer who undertook the full-time inspection and supervision of the construction.</p> <p><i>Agency: Office of the Building Official (OBO)</i></p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
17	<p>Receive final inspection for the certificate of occupancy from the OBO</p> <p>The OBO conducts a final inspection to check the building based on the certificate of completion, construction logbook, building inspection sheets, and original and as-built plans and specifications.</p> <p><i>Agency: Office of the Building Official (OBO)</i></p>	1 day	no charge
18	<p>Obtain the certificate of occupancy from the OBO</p> <p>After the OBO has processed the application and conducted the inspection, it then issues an assessment and order of payment. The OBO issues the certificate of occupancy after the applicant has paid the corresponding fees.</p> <p><i>Agency: Office of the Building Official (OBO)</i></p>	18 days	PHP 17,688
19	<p>Apply for water and sewage connection</p> <p>There are two private water providers for Quezon City. Maynilad services the west zone and Manila Water services the east zone. An inspection takes place within a week and the connection is completed some days after the inspection. The case study assumes that BuildCo will request water from Manila Water as this is the most favorable option.</p> <p><i>Agency: Manila Water</i></p>	1 day	no charge
20	<p>Receive inspection for water and sewage connection</p> <p><i>Agency: Manila Water</i></p>	1 day	no charge
21	<p>Obtain water and sewage connection</p> <p><i>Agency: Manila Water</i></p>	21 days	PHP 6,855
22	<p>* Apply for the tax declaration of improvement at the City Assessor's Office (CAO)</p> <p>BuildCo must update its official records to include the newly built warehouse for tax purposes. The OBO furnishes the CAO with a copy of the building plan and certificate of occupancy to notify them of the new building construction. BuildCo must submit the floor plan and as-built plan to the CAO.</p> <p><i>Agency: City Assessor's Office (CAO)</i></p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
23	<p>Receive inspection from the appraiser of CAO</p> <p><i>Agency: City Assessor's Office (CAO)</i></p>	1 day	no charge
24	<p>Obtain the tax declaration of improvement from the CAO</p> <p>The tax declaration of improvement is released after an appraiser inspects the property.</p> <p><i>Agency: City Assessor's Office (CAO)</i></p>	3 days	no charge

* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: *Doing Business* database.

GETTING ELECTRICITY

Access to reliable and affordable electricity is vital for businesses. To counter weak electricity supply, many firms in developing economies have to rely on self-supply, often at a prohibitively high cost. Whether electricity is reliably available or not, the first step for a customer is always to gain access by obtaining a connection.

What do the indicators cover?

Doing Business records all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them. These procedures include applications and contracts with electricity utilities, clearances from other agencies and the external and final connection works. The ranking of economies on the ease of getting electricity is determined by sorting their distance to frontier scores for getting electricity. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions are used.

The warehouse:

- Is owned by a local entrepreneur, located in the economy's largest business city, in an area where other warehouses are located. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- Is not in a special economic zone where the connection would be eligible for subsidization or faster service.
- Is located in an area with no physical constraints (ie. property not near a railway).
- Is a new construction being connected to electricity for the first time.
- Is 2 stories, both above ground, with a total surface of about 1,300.6 square meters (14,000 square feet), is built on a plot of 929 square meters (10,000 square feet), is used for storage of refrigerated goods

The electricity connection:

- Is 150 meters long and is a 3-phase, 4-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection.

WHAT THE GETTING ELECTRICITY INDICATORS MEASURE

Procedures to obtain an electricity connection (number)

- Submitting all relevant documents and obtaining all necessary clearances and permits
- Completing all required notifications and receiving all necessary inspections
- Obtaining external installation works and possibly purchasing material for these works
- Concluding any necessary supply contract and obtaining final supply

Time required to complete each procedure (calendar days)

- Is at least 1 calendar day
- Each procedure starts on a separate day
- Does not include time spent gathering information
- Reflects the time spent in practice, with little follow-up and no prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- Excludes value added tax
- Is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the area where the warehouse is located. Included only negligible length in the customer's private domain.
- Requires crossing of a 10-meter road but all the works are carried out in a public land, so there is no crossing into other people's private property.
- Involves installing one electricity meter. The monthly electricity consumption will be 26880 kilowatt hour (kWh). The internal electrical wiring has been completed.

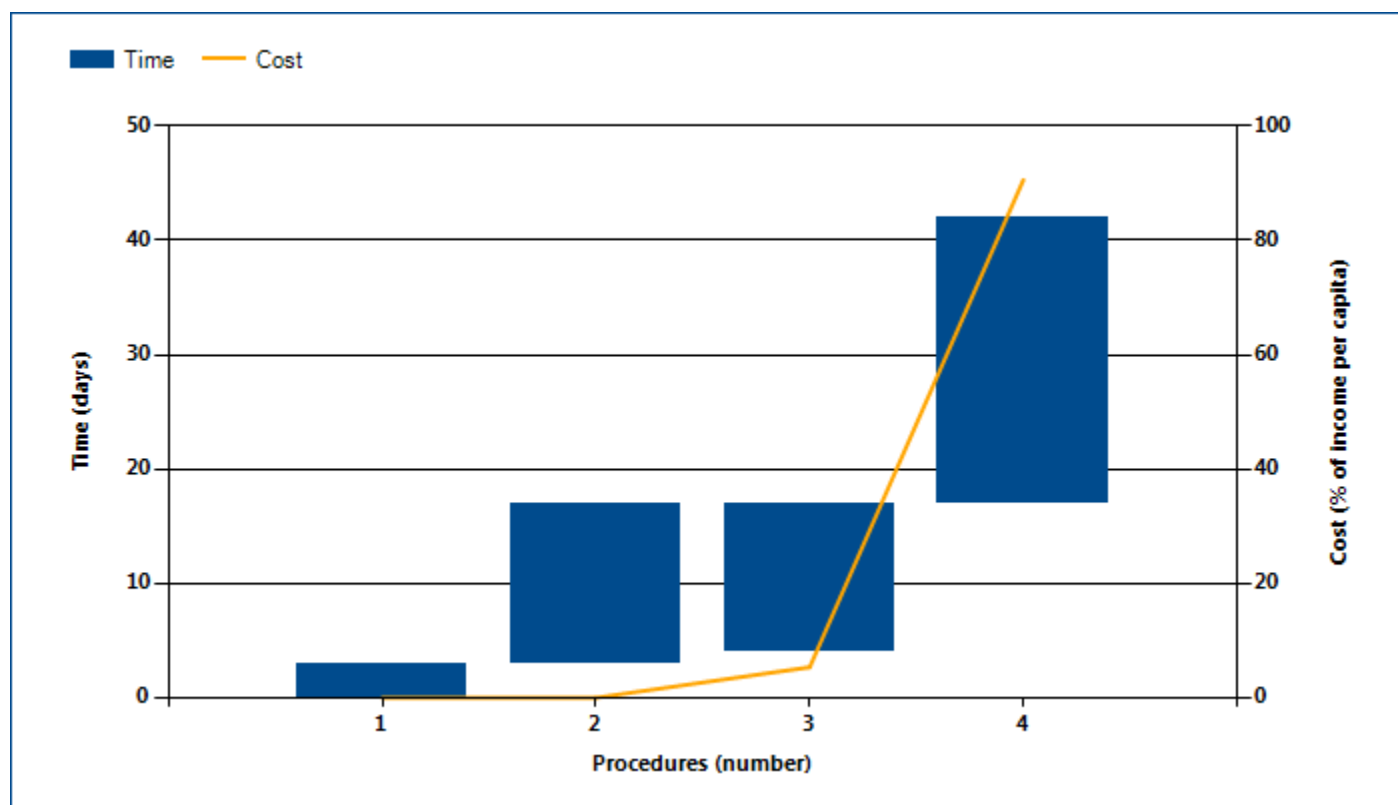
GETTING ELECTRICITY

Where does the economy stand today?

What does it take to obtain a new electricity connection in Philippines? According to data collected by *Doing Business*, getting electricity there requires 4.0 procedures, takes 42.0 days and costs 90.6% of income per capita (figure 4.1).

Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 4.1 What it takes to obtain an electricity connection in Philippines -



Note: Time shown in the figure above may not reflect simultaneity of procedures. For more information on the methodology of the getting electricity indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

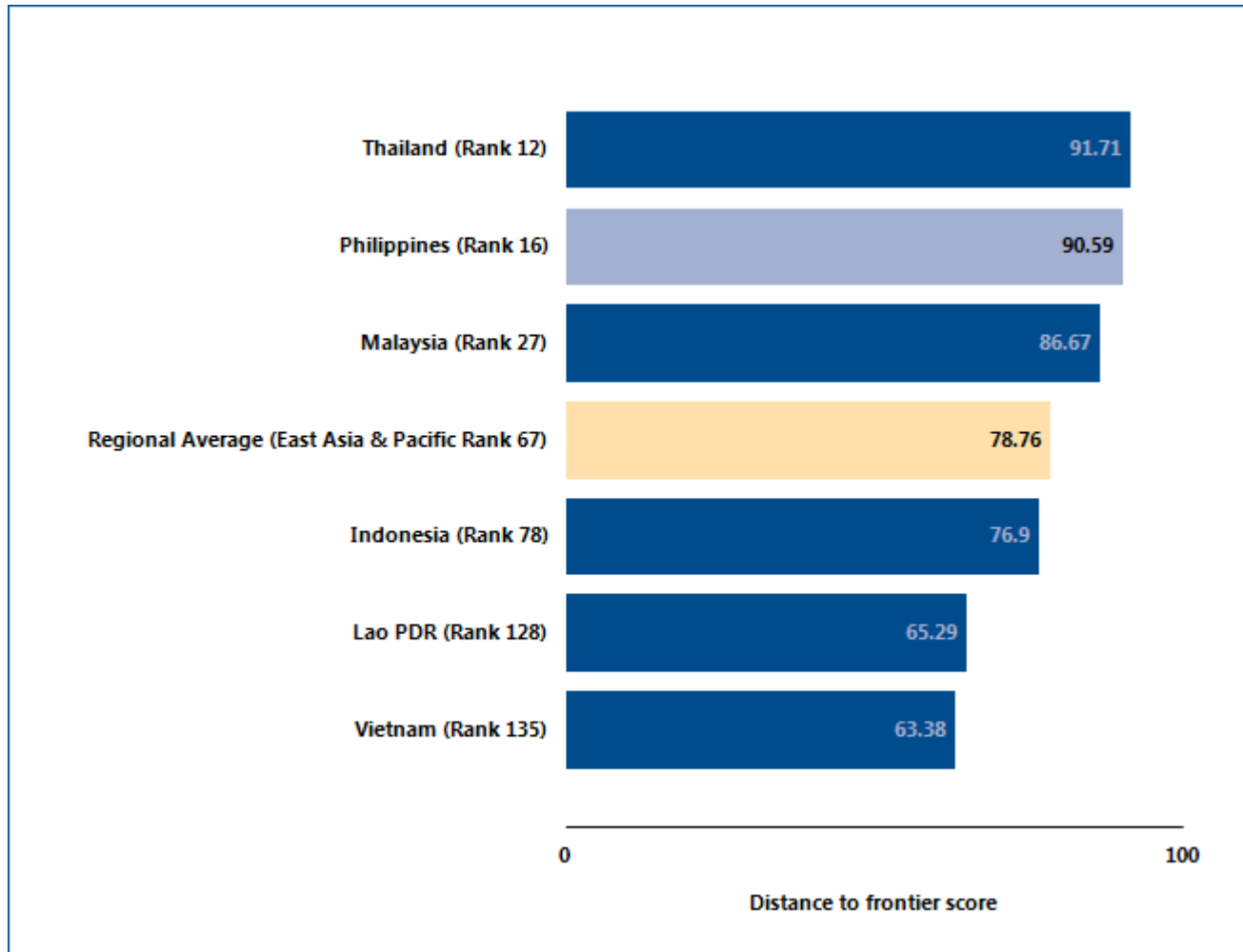
Source: *Doing Business* database.

GETTING ELECTRICITY

Globally, Philippines stands at 16 in the ranking of 189 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the regional

average ranking provide another perspective in assessing how easy it is for an entrepreneur in Philippines to connect a warehouse to electricity.

Figure 4.2 How Philippines and comparator economies rank on the ease of getting electricity



Source: Doing Business database.

GETTING ELECTRICITY

What are the details?

The indicators reported here for Philippines are based on a set of specific procedures—the steps that an entrepreneur must complete to get a warehouse connected to electricity by the local distribution utility—identified by *Doing Business*. Data are collected from the distribution utility, then completed and verified by electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility surveyed is the one serving the area (or areas) in which warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

OBTAINING AN ELECTRICITY CONNECTION

Name of utility: MERALCO

City: Quezon City

The procedures are those that apply to a warehouse and electricity connection matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

Table 4.2 Summary of time, cost and procedures for getting electricity in Philippines -

No.	Procedure	Time to complete	Cost to complete
1	<p>Submit application to MERALCO and await site inspection</p> <p>No notarization required on approval for any other body. MERALCO evaluates the application, and sends engineer to site inspection and inspection of service entrance. Requirements along with application include:</p> <p>Initial requirement to start the Service Application Process</p> <ul style="list-style-type: none"> - Formal request letter - Complete service application form - Electrical Plan signed & sealed by Professional Electrical Engineer (load schedule, list of loads, single line diagram, location sketch) <p>Other requirements to follow on or before contracting</p> <ul style="list-style-type: none"> - Wiring Permit (Original/Meralco Copy for issuance of meter base) - Valid ID card with picture (Driver's license, GSIS ID, SSS ID, Passport, TIN Card, Firearm's License, Philhealth ID, PRC License, Original NBI Clearance, Pag-ibig ID) - TIN Card / BIR Certificate of Registration - SEC Registration with Articles of Incorporation or DTI Registration - Company's Latest General Information Sheet (GIS) - Secretary's Certificate - Contract of Lease / Transfer Certificate Title (TCT) / Deed of Sale / Condominium Title Certificate (CTC) / Contract to Sell - Depending on the nature of your business and location, a PEZA or BOI Certification for Zero VAT Rating <p>Other requirements to follow on or before energization</p> <ul style="list-style-type: none"> -CFEI -Payment of service deposit 	3 calendar days	PHP 0

No.	Procedure	Time to complete	Cost to complete
	<i>Agency: MERALCO</i>		
2	<p>Receive site visit from MERALCO and await estimate</p> <p><i>Agency: MERALCO</i></p>	14 calendar days	PHP 0
3	<p>* Request and receive Certificate of Electrical Inspection (CEI) from Quezon City</p> <p>Request for Certificate of Electrical Inspection (CEI) from Quezon City. This can be done once the electrical installations are completed and engineer in-charge of installation signs the "Completion Certificate of Electrical Installation" and submitted together with the application for CEI to the City.</p> <p><i>Agency: Quezon City</i></p>	7 calendar days	PHP 7,500
4	<p>Submit Certificate of Inspection to MERALCO and MERALCO completes installation of overhead distribution facilities and meter, and electricity starts flowing</p> <p>Once Service Contract is signed with MERALCO and project cost and deposit paid, MERALCO starts installation of power service connection and metering necessary for external connection. Project cost is shouldered by MERALCO through the Customer Allocation Budget. Security deposit charged can be refunded by the customer, including accumulated interest only upon termination of the service contract or if the account is transferred to another owner. Interest rate fluctuates with the current central bank rate and is accrued to the account.</p> <p><i>Agency: MERALCO</i></p>	25 calendar days	PHP 120,004.24

* Takes place simultaneously with another procedure.

Source: Doing Business database.

REGISTERING PROPERTY

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans—limiting access to finance.

What do the indicators cover?

Doing Business records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. The ranking of economies on the ease of registering property is determined by sorting their distance to frontier scores for registering property. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned and perform general commercial activities.
- Are located in the economy's largest business city².
- Have 50 employees each, all of whom are nationals.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Is registered in the land registry or cadastral, or both, and is free of title disputes.
- Property will be transferred in its entirety.

WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

Procedures to legally transfer title on immovable property (number)

Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)

Registration in the economy's largest business city²

Postregistration (for example, filing title with the municipality)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day.

Procedure considered completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of property value)

Official costs only, no bribes

No value added or capital gains taxes included

- Is located in a periurban commercial zone, and no rezoning is required.
- Has no mortgages attached, has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. There is no heating system.

² For the 11 economies with a population of more than 100 million, data for a second city have been added.

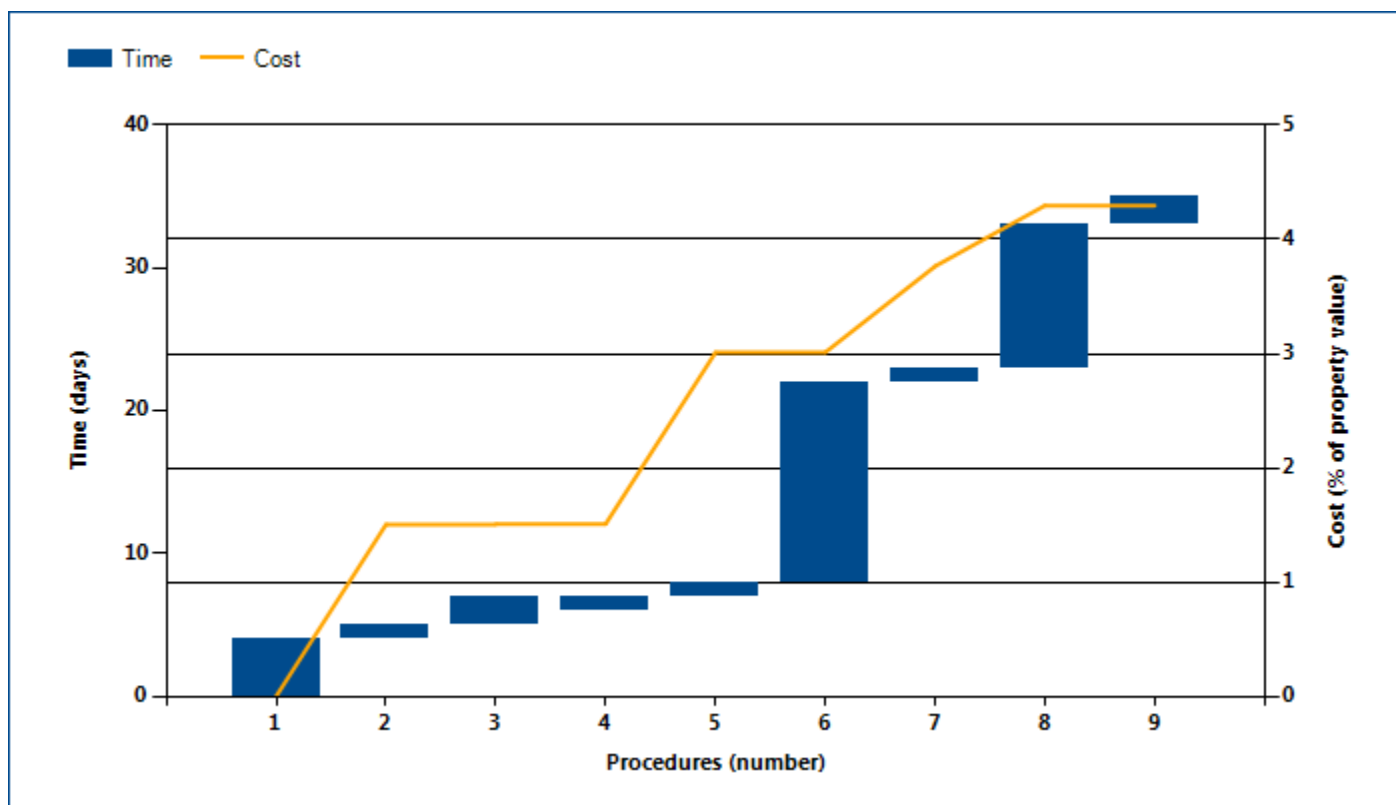
REGISTERING PROPERTY

Where does the economy stand today?

What does it take to complete a property transfer in Philippines? According to data collected by *Doing Business*, registering property there requires 9.0 procedures, takes 35.0 days and costs 4.3% of the property value (figure 5.1).

Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 5.1 What it takes to register property in Philippines -



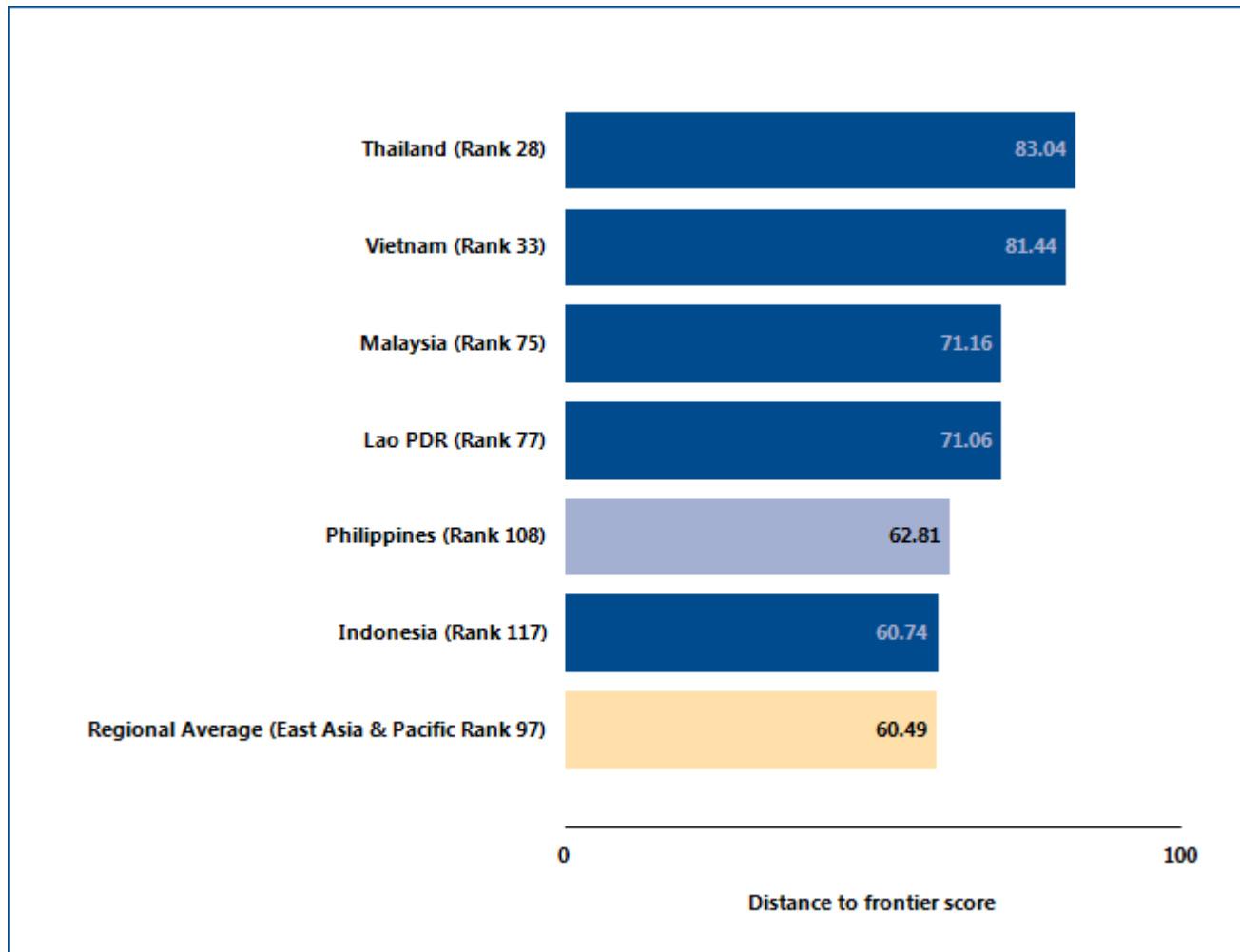
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the registering property indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter. Source: *Doing Business* database.

REGISTERING PROPERTY

Globally, Philippines stands at 108 in the ranking of 189 economies on the ease of registering property (figure 5.2). The rankings for comparator economies and the

regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Philippines to transfer property.

Figure 5.2 How Philippines and comparator economies rank on the ease of registering property



Source: Doing Business database.

REGISTERING PROPERTY

What are the details?

The indicators reported here are based on a set of specific procedures—the steps that a buyer and seller must complete to transfer the property to the buyer’s name—identified by *Doing Business* through information collected from local property lawyers, notaries and property registries. These procedures are those that apply to a transaction matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

STANDARD PROPERTY TRANSFER	
Property value:	PHP 7,037,832
City:	Quezon City

The procedures, along with the associated time and cost, are summarized below.

Table 5.2 Summary of time, cost and procedures for registering property in Philippines

No.	Procedure	Time to complete	Cost to complete
1	<p>Check against encumbrances and obtain certified true copy of the land title from the Register of Deeds (RD)</p> <p>The buyer conducts the search against encumbrances and the seller obtains the true copy of the land title from the Register of Deeds (RD)</p> <p><i>Agency: Register of Deeds</i></p>	4 days	PHP 209 - PHP 36 for the certification + PHP 6 for each additional page (2 additional pages needed) + PHP 160.97 IT fee.
2	<p>Prepare the notarized deed of sale and related documents</p> <p>While the deed of sale can be prepared by anyone, it must be executed before and notarized by a notary public. In many instances, the notary public drafts the deed of sale and conducts the whole process on behalf of the parties. In addition to the deed of sale, the Register of Deeds also requires both the buyer and the seller to submit notarized secretary's certificates containing the resolution of their board of directors approving the sale. The buyer must also produce a certificate from the Securities and Exchange Commission (SEC) stating that its articles of incorporation have been registered with the SEC.</p> <p><i>Agency: Notary</i></p>	1 day	1 - 2% property value for notarization
3	<p>Obtain tax clearance certificate of real property taxes from the Land Tax Division of the City Treasurer’s Office (CTO)</p> <p>The seller, after paying any arrears, obtains a tax clearance certificate from the CTO. The documentation shall include: (1) an original of the official receipt evidencing payment by seller of realty taxes; (2) certified true copy of latest tax declarations for each of the land and the warehouse; (3) photocopy of official receipt for payment of real property tax for each of the land and the warehouse for the immediately</p>	2 days (simultaneous with procedure 2)	PHP 115 (PHP 50 for tax clearance for land and for real estate plus PHP 15 for documentary stamp tax)

No.	Procedure	Time to complete	Cost to complete
	<p>preceding year. Note: Separate tax clearance for real property tax should be obtained for the land and the warehouse</p> <p><i>Agency: Real Estate Tax Division of the City Treasurer's Office</i></p>		
<p>4</p>	<p>* Obtain certified true copy of latest tax declaration and certificate of "with improvement" from the City Assessor's Office (CAO)</p> <p>The seller obtains a certified true copy of the latest tax declaration from the Assessor's Office of Quezon City.</p> <p><i>Agency: Assessor's Office</i></p>	<p>1 day (simultaneous with procedure 3)</p>	<p>PHP 250 (PHP 50 per RPU (land(1RPU), Building (1RPU)) + PHP 90 for certificate of "with improvement" + PHP 60 (PHP 20 documentary stamp tax per RPU/document)</p>
<p>5</p>	<p>Pay documentary stamp tax and final capital gains tax for the transfer of real property</p> <p>The seller or the buyer (based on their agreement) files the Documentary Stamp Tax return and Capital Gains Tax return with the authorized agent bank. 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.</p> <p>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. The seller may opt to have the taxing authority assess and compute the Capital Gains Tax and the Documentary Stamp Tax prior to payment to ensure accuracy of the amount of taxes due.</p> <p>The documentation shall include:</p> <ul style="list-style-type: none"> • 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><i>Agency: Authorized Agent Bank (AAB)</i></p>	<p>1 day</p>	<p>1.5% of property value (Documentary Stamp Tax)</p>

No.	Procedure	Time to complete	Cost to complete
6	<p>Obtain Certificate Authorizing Registration (CAR) from the Bureau of Internal Revenue (BIR)</p> <p>The Certificate Authorizing Registration (CAR) is a certification issued by the BIR that the transfer and conveyance of the property was reported and the taxes due have been fully paid. The taxpayer/applicant must submit the following documents to the BIR: a. Tax identification number (TIN) of seller and buyer; b. Notarized deed of absolute sale/document of transfer, but only photocopied document shall be retained by the BIR; c. Certified true copy of the latest tax declaration issued by the City Assessor's Office for the land and improvement applicable to the taxable transaction; d. Owner's copy (for presentation purposes only) and photocopy (for authentication) of the Original Certificate of Title (OCT), or the certified true copy of the Transfer Certificate of Title (TCT); e. Sworn declaration of "with Improvement" by at least one (1) of the transferees, or certificate of "with Improvement" issued by the City Assessor's Office. All documents submitted must also include 2 photocopies. The Certificate Authorizing Registration that will be released will be accompanied by the following documents: The Original copy of the Deed of Absolute Sale stamped received by the BIR Original Copies of the BIR Return Forms 1706 (CGT) and 2000 (DST) stamped received by the BIR Applicant accomplishes BIR forms 2000-OT and 1706 for DST and CGT respectively, based on the ONETT computation sheets prepared by the BIR ONETT team. The applicant files the DST return and CGT return and pays the taxes at the AAB of the Revenue District Office (Procedure 4). Upon receipt of proof of tax payment from the taxpayer/applicant, the BIR immediately issues a claim slip.</p> <p><i>Agency: Bureau of Internal Revenue (BIR)</i></p>	14 days	PHP 115 (PHP 100 certification fee + PHP 15 documentary tax)
7	<p>Pay the transfer tax at the CTO</p> <p>The transfer tax must be paid at the CTO not later than 60 days from the date of execution of the Deed of Absolute Sale or the notarization date thereof, whichever is earlier. The documentation shall include: a. Certificate Authorizing Registration from the Bureau of Internal Revenue (obtained in Procedure 5); b. Tax clearance certificate from the Treasurer's Office of Quezon City (obtained in Procedure 3); c. Official receipt of the Bureau of Internal Revenue (for documentary stamp tax) (obtained in Procedure 4).</p> <p><i>Agency: Real Estate Tax Division of the City Treasurer's Office</i></p>	1 day	0.75% of property price (transfer tax) + PHP 125 (certificate of payment)
8	<p>Apply for registration with the Register of Deeds</p> <p>The buyer applies for registration with the Register of Deeds. The documentation shall include: a. Copy of deed of absolute sale; b. Official receipt evidencing payment of transfer tax; c. Certificate Authorizing Registration from the BIR (CAR) including official receipts for</p>	10 days	Registration fee consisting of PHP 8,796 for first PHP 1,700,000 + PHP 90 for every PHP

No.	Procedure	Time to complete	Cost to complete
	<p>payment of DST and CGT; d. Real property tax clearance from the City Treasurer's Office; e. Original copy of owner's duplicate of TCT (in the name of the seller); f. Original or certified true copy of the latest tax declaration; g. Notarized secretary's certificate containing resolution of the board of directors of the seller approving the sale; h. Notarized secretary's certificate containing resolution of the board of directors of the buyer approving the sale; i. Articles of incorporation of the buyer and by-laws; and j. Certificate from the SEC that the articles of incorporation of the buyer have been registered.</p> <p><i>Agency: Register of Deeds</i></p>		<p>20,000 or fraction thereof in excess of PHP 1,700,000 + PHP 199.56 legal research fee (1% of the registration fee) + PHP 30 judicial form fee + PHP 3,104.37 IT fee (PHP 344.93 per document) + PHP 300 primary entry fee (PHP 30 per document) + PHP 480 registration fee for specific documents (PHP 120 per document) + PHP 120 fixed entry fee for specific documents (PHP 30 per document) + PHP 40 legal research fee for specific documents (PHP 10 per document) + PHP 60 annotation fee (PHP 30 per document) + PHP 258 fee for issuance of new transfer certificate of title</p>
<p>9</p>	<p>Obtain new tax declaration over the building and the land in the name of buyer from CAO</p> <p>The buyer applies with the CAO for the issuance of a new tax declaration over the building in his name. The documentation shall include: a. Photocopy of notarized deed of sale (obtained in Procedure 1); b. Copy of latest tax declaration (in the name of seller) (obtained in Procedure 2); c. Tax clearance certificate of real property taxes from the CTO (obtained in Procedure 3); d. Certificate authorizing registration from the BIR (obtained in Procedure 5); e. Photocopy of official receipt of transfer tax</p>	<p>2 days</p>	<p>no cost</p>

No.	Procedure	Time to complete	Cost to complete
	payment (original copy to be presented) (obtained in Procedure 6); and f. The transfer certificate of title (TCT) issued by the RD (in the name of the buyer) (obtained in Procedure 7). <i>Agency: Assessor's Office - City Government</i>		

* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: *Doing Business* database.

GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders' rights to view a potential borrower's financial history (positive or negative)—valuable information to consider when assessing risk. And they permit borrowers to establish a good credit history that will allow easier access to credit. Sound collateral laws enable businesses to use their assets, especially movable property, as security to generate capital—while strong creditors' rights have been associated with higher ratios of private sector credit to GDP.

What do the indicators cover?

Doing Business assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a credit registry or a credit bureau. The strength of legal rights index measures whether certain features that facilitate lending exist within the applicable collateral and bankruptcy laws. *Doing Business* uses two case scenarios, Case A and Case B, to determine the scope of the secured transactions system, involving a secured borrower and a secured lender and examining legal restrictions on the use of movable collateral (for more details on each case, see the Data Notes section of the *Doing Business 2015* report). These scenarios assume that the borrower:

- Is a private limited liability company.
- Has its headquarters and only base of operations in the largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.

WHAT THE GETTING CREDIT INDICATORS MEASURE

Strength of legal rights index (0–12)³

Rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–8)⁴

Scope and accessibility of credit information distributed by credit bureaus and credit registries

Credit bureau coverage (% of adults)

Number of individuals and firms listed in largest credit bureau as percentage of adult population

Credit registry coverage (% of adults)

Number of individuals and firms listed in credit registry as percentage of adult population

- Has up to 50 employees.
- Is 100% domestically owned, as is the lender.

The ranking of economies on the ease of getting credit is determined by sorting their distance to frontier scores for getting credit. These scores are the distance to frontier score for the strength of legal rights index and the depth of credit information index.

³ For the legal rights index, 2 new points are added in *Doing Business 2015* for new data collected to assess the overall legal framework for secured transactions and the functioning of the collateral registry.

⁴ For the credit information index, 2 new points are added in *Doing Business 2015* for new data collected on accessing borrowers' credit information online and availability of credit scores.

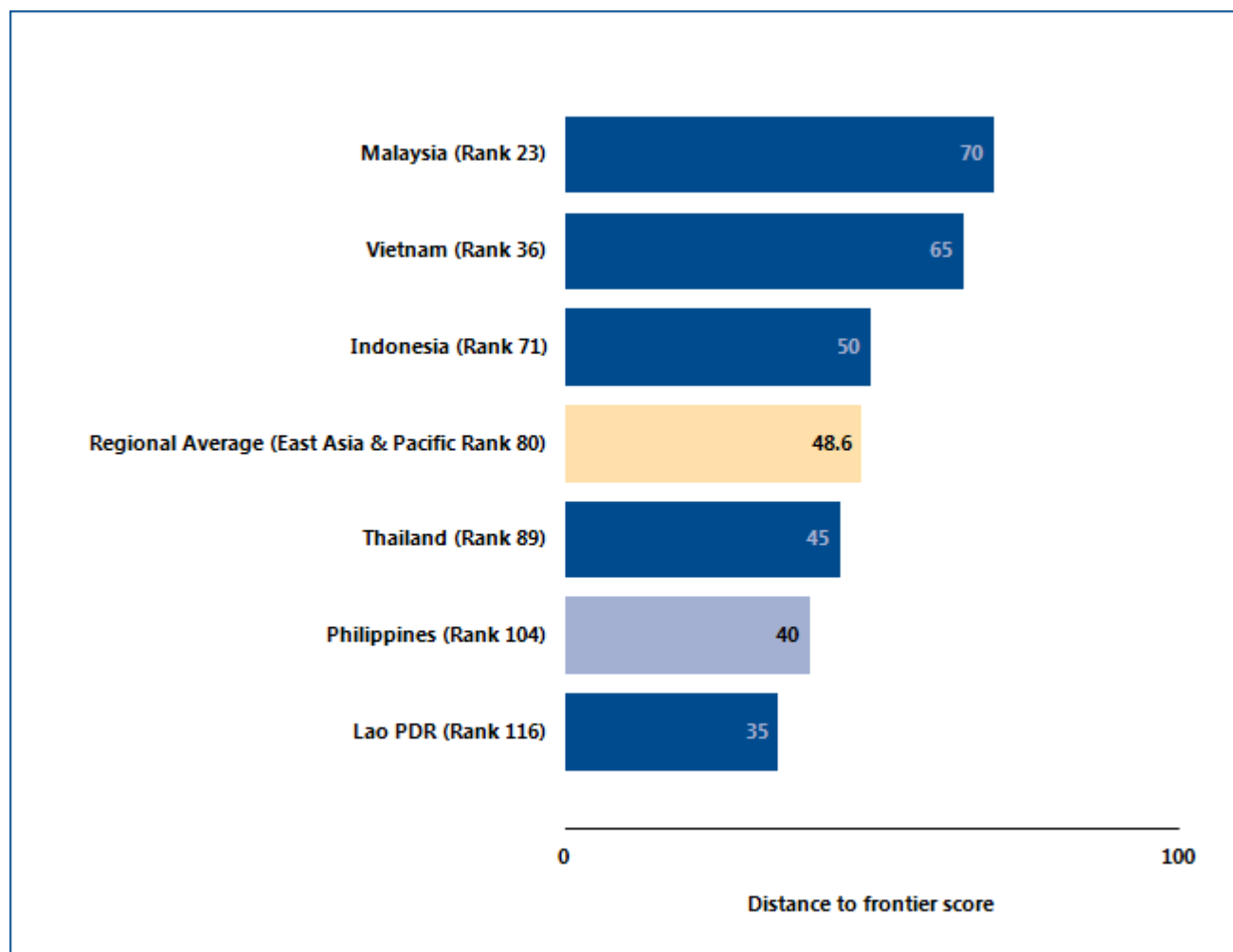
GETTING CREDIT

Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in Philippines facilitate access to credit? The economy has a score of 5 on the depth of credit information index and a score of 3 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, Philippines stands at 104 in the ranking of 189 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how well regulations and institutions in Philippines support lending and borrowing.

Figure 6.1 How Philippines and comparator economies rank on the ease of getting credit



Source: Doing Business database.

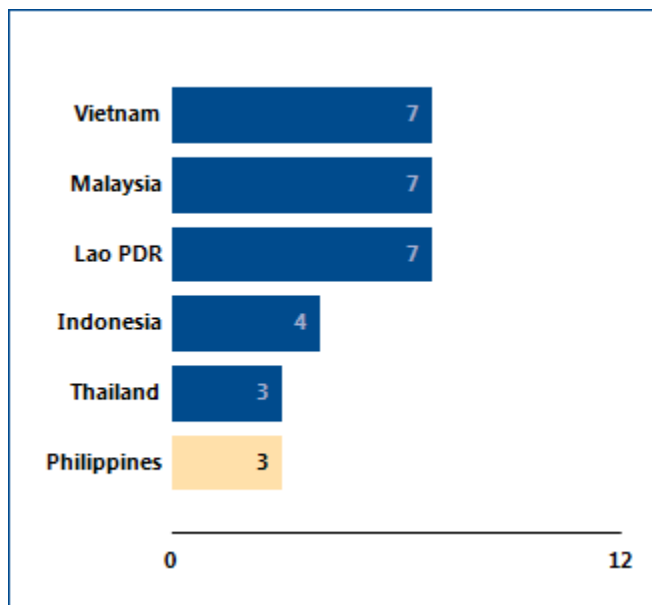
GETTING CREDIT

One way to put an economy’s score on the getting credit indicators into context is to see where the economy stands in the distribution of scores across economies. Figure 6.2 highlights the score on the strength of legal

rights index for Philippines and shows the scores for comparator economies as well as the regional average score. Figure 6.3 shows the same for the depth of credit information index.

Figure 6.2 How strong are legal rights for borrowers and lenders?

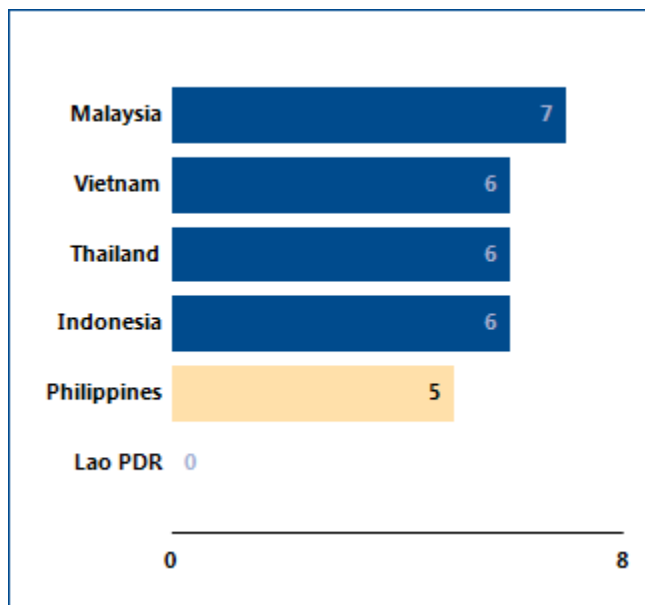
Economy scores on strength of legal rights index



Note: Higher scores indicate that collateral and bankruptcy laws are better designed to facilitate access to credit.
Source: Doing Business database.

Figure 6.3 How much credit information is shared—and how widely?

Economy scores on depth of credit information index



Note: Higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.
Source: Doing Business database.

GETTING CREDIT

When economies strengthen the legal rights of lenders and borrowers under collateral and bankruptcy laws, and increase the scope, coverage and accessibility of credit

information, they can increase entrepreneurs' access to credit. What credit reforms has *Doing Business* recorded in Philippines (table 6.1)?

Table 6.1 How has Philippines made getting credit easier—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2010	The Philippines improved access to credit information through a new act regulating the operations and services of a credit information system.
DB2014	The Philippines improved access to credit information by beginning to distribute both positive and negative information and by enacting a data privacy act that guarantees borrowers' right to access their data.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

GETTING CREDIT

What are the details?

The getting credit indicators reported here for Philippines are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a credit registry and/or credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 8 features of the credit registry or credit bureau (see summary of scoring below).

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. For the strength of legal rights index, a score of 1 is assigned for each of 10 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

Strength of legal rights index (0–12)	Index score: 3
Does an integrated or unified legal framework for secured transactions that extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exist in the economy?	No
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	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 collateral?	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; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	No
Is a collateral registry in operation for both incorporated and non-incorporated entities, that is unified geographically and by asset type, with an electronic database indexed by debtor's name?	No
Does a notice-based collateral registry exist in which all functional equivalents can be registered?	No
Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party?	No
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	Yes
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	No
Are secured creditors subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure? Does the law protect secured creditors' rights by providing clear grounds for relief from the stay and/or sets a time limit for it?	Yes

Strength of legal rights index (0–12)	Index score: 3
Does the law allow parties to agree on out of court enforcement at the time a security interest is created? Does the law allow the secured creditor to sell the collateral through public auction and private tender, as well as, for the secured creditor to keep the asset in satisfaction of the debt?	Yes

Depth of credit information index (0–8)	Credit bureau	Credit registry	Index score: 5
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative credit data distributed?	Yes	No	1
Are data from retailers or utility companies - in addition to data from banks and financial institutions - distributed?	No	No	0
Are at least 2 years of historical data distributed? (Credit bureaus and registries that distribute more than 10 years of negative data or erase data on defaults as soon as they are repaid obtain a score of 0 for this component.)	No	No	0
Are data on loan amounts below 1% of income per capita distributed?	Yes	No	1
By law, do borrowers have the right to access their data in the credit bureau or credit registry?	Yes	No	1
Can banks and financial institutions access borrowers' credit information online (for example, through an online platform, a system-to-system connection or both)?	Yes	No	1
Are bureau or registry credit scores offered as a value-added service to help banks and financial institutions assess the creditworthiness of borrowers?	No	No	0

Note: Prior to *Doing Business 2015*, the depth of credit information index covered only the first 6 features listed above. An economy receives a score of 1 if there is a "yes" to either bureau or registry. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

Coverage	Credit bureau (% of adults)	Credit registry (% of adults)
Number of firms	397,709	0
Number of individuals	6,493,077	0
Percent of total	11.3	0.0

Source: Doing Business database.

PROTECTING MINORITY INVESTORS

Protecting minority investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. Effective regulations define related-party transactions precisely, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set detailed standards of accountability for company insiders.

What do the indicators cover?

Doing Business measures the protection of minority investors from conflicts of interest through one set of indicators and shareholders' rights in corporate governance through another. The ranking of economies on the strength of minority investor protections is determined by sorting their distance to frontier scores for protecting minority investors. These scores are the simple average of the distance to frontier scores for the extent of conflict of interest regulation index and the extent of shareholder governance index. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

The transaction involves the following details:

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

WHAT THE PROTECTING MINORITY INVESTORS INDICATORS MEASURE

Extent of disclosure index (0–10)

Review and approval requirements for related-party transactions ; Disclosure requirements for related-party transactions

Extent of director liability index (0–10)

Ability of minority shareholders to sue and hold interested directors liable for prejudicial related-party transactions; Available legal remedies (damages, disgorgement of profits, fines, imprisonment, rescission of the transaction)

Ease of shareholder suits index (0–10)

Access to internal corporate documents; Evidence obtainable during trial and allocation of legal expenses

Extent of conflict of interest regulation index (0–10)

Sum of the extent of disclosure, extent of director liability and ease of shareholder indices, divided by 3

Extent of shareholder rights index (0-10.5)

Shareholders' rights and role in major corporate decisions

Strength of governance structure index (0-10.5)

Governance safeguards protecting shareholders from undue board control and entrenchment

Extent of corporate transparency index (0-9)

Corporate transparency on ownership stakes, compensation, audits and financial prospects

Extent of shareholder governance index (0–10)

Sum of the extent of shareholders rights, strength of governance structure and extent of corporate transparency indices, divided by 3

Strength of investor protection index (0–10)

Simple average of the extent of conflict of interest regulation and extent of shareholder governance indices

PROTECTING MINORITY INVESTORS

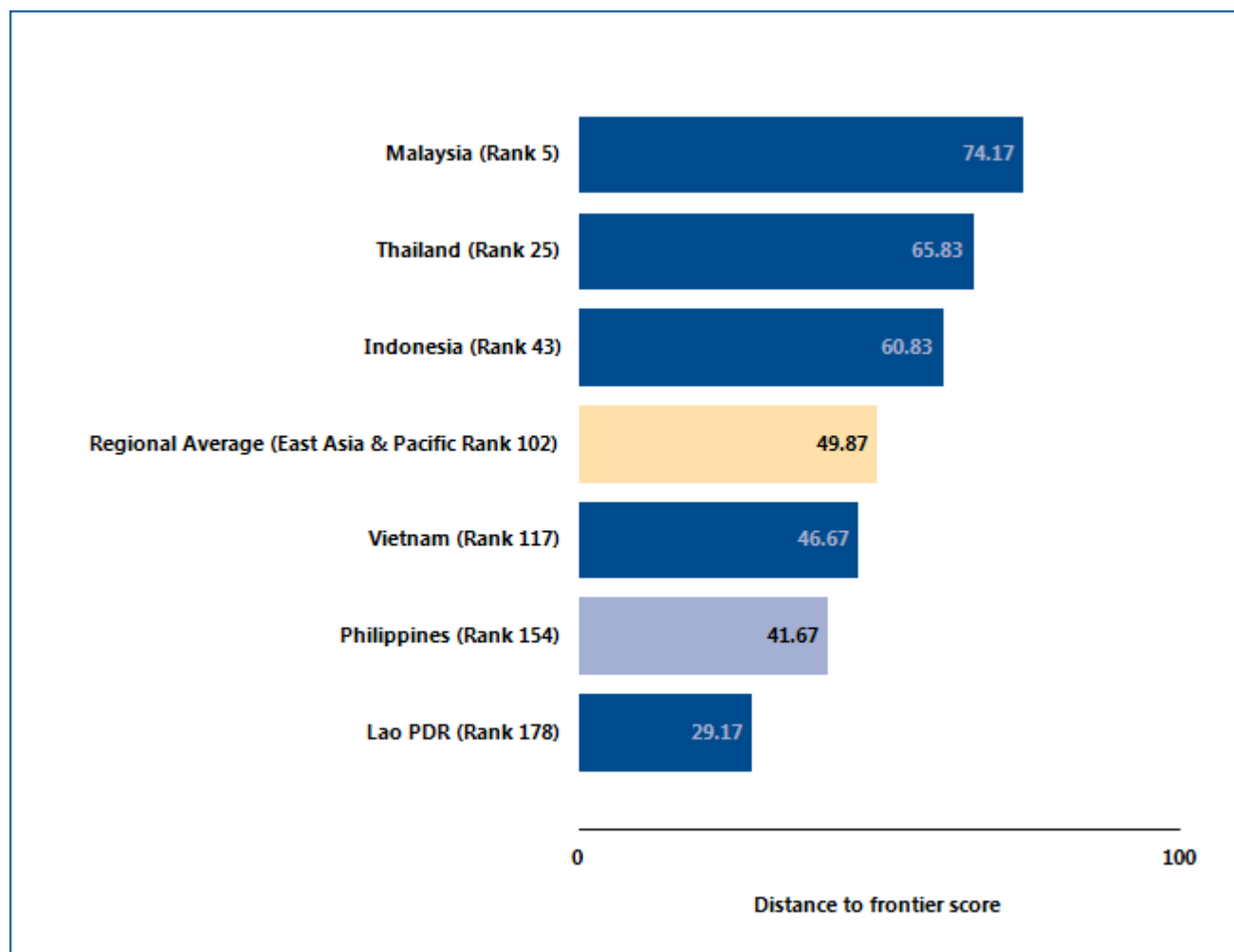
Where does the economy stand today?

How strong are minority investor protections against self-dealing in Philippines? The economy has a score of 4.2 on the strength of minority investor protection index, with a higher score indicating stronger protections.

Globally, Philippines stands at 154 in the ranking of 189 economies on the strength of minority investor

protection index (figure 7.1). While the indicator does not measure all aspects related to the protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger minority investor protections against self-dealing in the areas measured.

Figure 7.1 How Philippines and comparator economies perform on the strength of minority investor protection index



Source: Doing Business database.

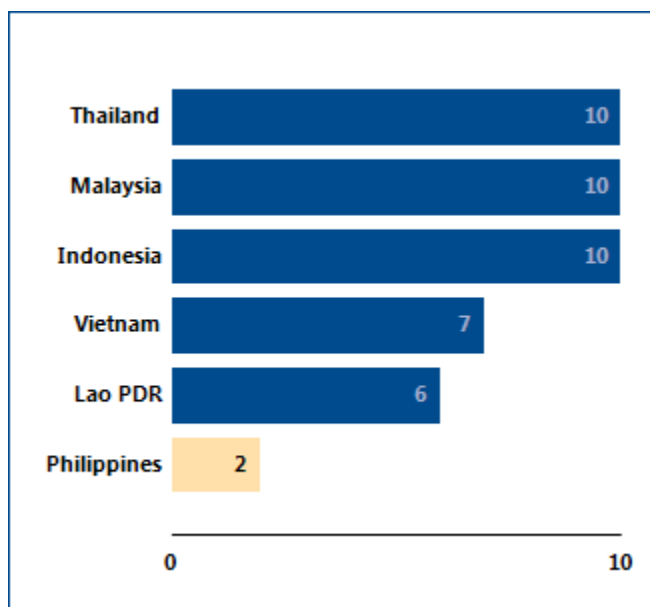
PROTECTING MINORITY INVESTORS

One way to put an economy's scores on the protecting minority investors indicators into context is to see where the economy stands in the distribution of scores across comparator economies. Figures 7.2 through 7.7 highlight the scores on the various minority investor protection

indices for Philippines in 2014. A summary of scoring for the protecting minority investors indicators at the end of this chapter provides details on how the indices were calculated.

Figure 7.2 How extensive are disclosure requirements?

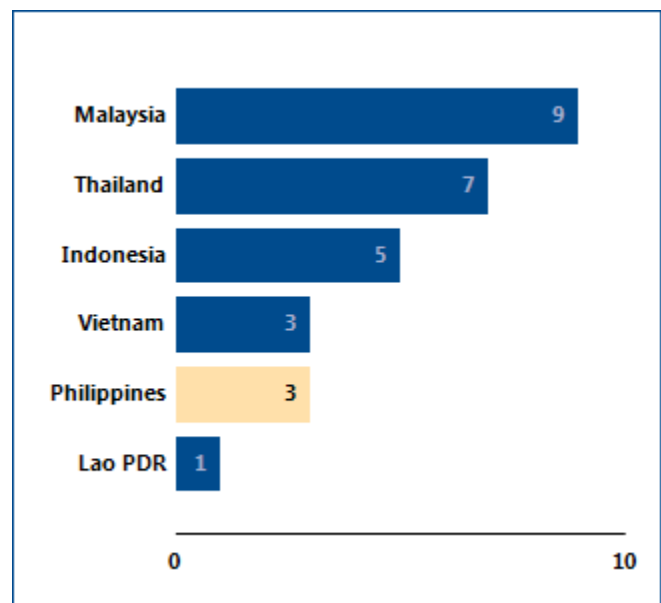
Extent of disclosure index (0-10)



Note: Higher scores indicate greater disclosure.
Source: Doing Business database.

Figure 7.3 How extensive is the liability regime for directors?

Extent of director liability index (0-10)

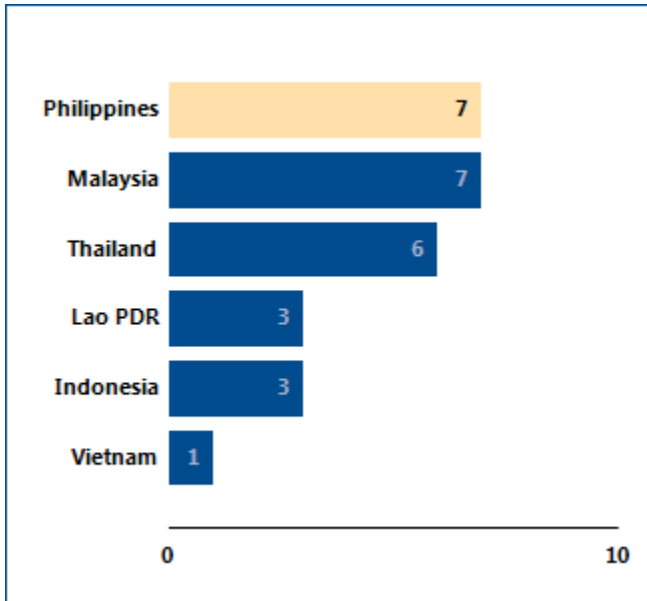


Note: Higher scores indicate greater liability of directors.
Source: Doing Business database.

PROTECTING MINORITY INVESTORS

Figure 7.4 How easy is accessing internal corporate documents?

Ease of shareholder suits index (0-10)



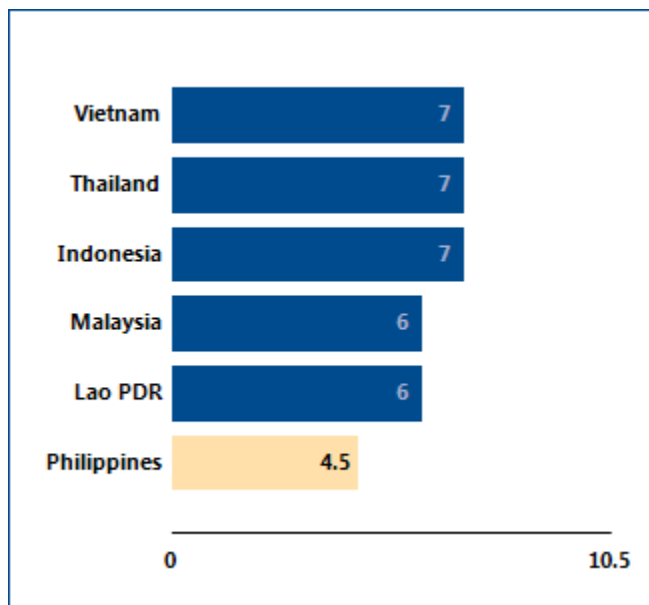
Note: Higher scores indicate greater minority shareholder access to evidence before and during trial.

Source: Doing Business database.

PROTECTING MINORITY INVESTORS

Figure 7.5 How extensive are shareholder rights?

Extent of shareholder rights index (0-10.5)

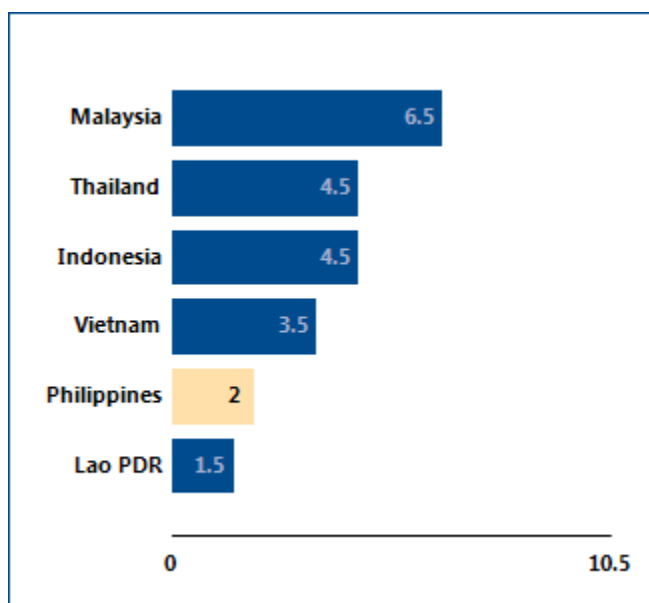


Note: The higher the score, the stronger the protections.

Source: Doing Business database.

Figure 7.6 How strong is the governance structure?

Strength of governance structure index (0-10.5)

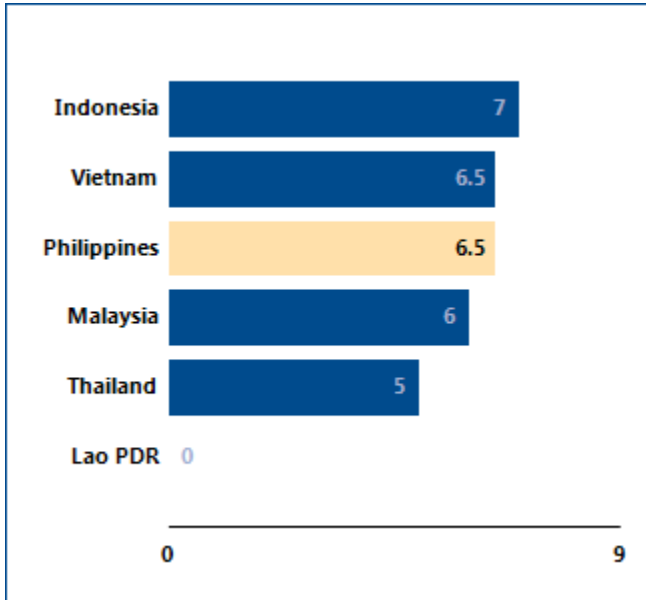


Note: Higher scores indicate more stringent governance structure requirements.

Source: Doing Business database.

Figure 7.7 How extensive is corporate transparency?

Extent of corporate transparency index (0-9)



Note: Higher scores indicate greater transparency.
 Source: Doing Business database.

PROTECTING MINORITY INVESTORS

What are the details?

The protecting minority investors indicators reported here for Philippines are based on detailed information collected through a survey of corporate and securities lawyers about securities regulations, company laws and court rules of evidence and procedure. To construct the six indicators on minority investor protection, scores are assigned to each based on a range of conditions relating

to disclosure, director liability, shareholder suits, shareholder rights, governance structure and corporate transparency in a standard case study (for more details, see the Data Notes section of the *Doing Business 2015* report). The summary below shows the details underlying the scores for Philippines.

Table 7.2 Summary of scoring for the protecting minority investors indicators in Philippines

	Answer	Score
Extent of disclosure index (0-10)		2.0
Which corporate body can provide legally sufficient approval for the Buyer-Seller transaction? (0-3)	CEO alone	0
Is disclosure by the interested director to the board of directors required? (0-2)	No disclosure obligation	0
Is disclosure of the transaction in published periodic filings (annual reports) required? (0-2)	Disclosure on the transaction and on the conflict of interest	2
Is immediate disclosure of the transaction to the public and/or shareholders required? (0-2)	No disclosure obligation	0
Must an external body review the terms of the transaction before it takes place? (0-1)	No	0
Extent of director liability index (0-10)		3.0
Can shareholders sue directly or derivatively for the damage caused by the Buyer-Seller transaction to the company? (0-1)	Yes	1
Can shareholders hold the interested director liable for the damage caused by the transaction to the company? (0-2)	Not liable	0
Can shareholders hold members of the approving body liable for the damage caused by the transaction to the company? (0-2)	Not liable	0
Must the interested director pay damages for the harm caused to the company upon a successful claim by a shareholder plaintiff? (0-1)	Yes	1
Must the interested director repay profits made from the transaction upon a successful claim by a shareholder plaintiff? (0-1)	Yes	1
Can both fines and imprisonment be applied against the interested director? (0-1)	No	0
Can a court void the transaction upon a successful claim by a shareholder plaintiff? (0-2)	Only in case of fraud or bad faith	0
Ease of shareholder suits index (0-10)		7.0
Before filing suit, can shareholders owning 10% of the company's share capital inspect the transaction documents? (0-1)	Yes	1
Can the plaintiff obtain any documents from the defendant	Any relevant document	3

and witnesses during trial? (0-3)		
Can the plaintiff request categories of documents from the defendant without identifying specific ones? (0-1)	No	0
Can the plaintiff directly question the defendant and witnesses during trial? (0-2)	Yes	2
Is the level of proof required for civil suits lower than that of criminal cases? (0-1)	Yes	1
Can shareholder plaintiffs recover their legal expenses from the company? (0-2)	At the discretion of the court	0
Strength of minority investor protection index (0-10)		4.2
Extent of conflict of interest regulation index (0-10)		4.0
Extent of shareholder rights index (0-10.5)		4.5
Can shareholders amend company bylaws or statutes with a simple majority?	No	0
Can shareholders owning 10% of the company's share capital call for an extraordinary meeting of shareholders?	No	0
Can shareholders remove members of the board of directors before the end of their term.	Yes	1.5
Must a company obtain its shareholders' approval every time it issues new shares?	Yes	1.5
Are shareholders automatically granted subscription rights on new shares?	No	0
Must shareholders approve the election and dismissal of the external auditor?	No	0
Can shareholders freely trade shares prior to a major corporate action or meeting of shareholders?	Yes	1.5
Strength of governance structure index (0-10.5)		2.0
Is the CEO barred from also serving as chair of the board of directors?	Yes	1.5
Must the board of directors include independent board members?	Yes for listed companies	1
Must a company have a separate audit committee?	No	0
Must changes to the voting rights of a series or class of shares be approved only by the holders of the affected shares?	No	0
Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of a company?	Yes for listed companies	1
Is cross-shareholding between 2 independent companies limited to 10% of outstanding shares?	No	0
Is a subsidiary barred from acquiring shares issued by its parent company?	Yes	1.5
Extent of corporate transparency index (0-9)		6.5
Must ownership stakes representing 10% be disclosed?	Yes for listed companies	1
Must information about board members' other directorships as well as basic information on their primary employment be disclosed?	Yes for listed companies	1
Must the compensation of individual managers be disclosed?	No	0
Must financial statements contain explanatory notes on significant accounting policies, trends, risks, uncertainties and other factors influencing the reporting?	Yes	1.5
Must annual financial statements be audited by an external	Yes	1.5

auditor?		
Must audit reports be disclosed to the public?	Yes	1.5
Extent of shareholder governance index (0-10)		4.3

Source: *Doing Business* database.

PAYING TAXES

Taxes are essential. The level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. Firms in economies that rank better on the ease of paying taxes in the *Doing Business* study tend to perceive both tax rates and tax administration as less of an obstacle to business according to the World Bank Enterprise Survey research.

What do the indicators cover?

Using a case scenario, *Doing Business* measures the taxes and mandatory contributions that a medium-size company must pay in a given year as well as the administrative burden of paying taxes and contributions. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments as well as time taken to comply with tax laws. The ranking of economies on the ease of paying taxes is determined by sorting their distance to frontier scores on the ease of paying taxes. These scores are the simple average of the distance to frontier scores for each of the component indicators, with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax rate⁵. The financial statement variables have been updated to be proportional to 2012 income per capita; previously they were proportional to 2005 income per capita. To make the data comparable across economies, several assumptions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2012.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions are recorded at all levels of government.

⁵ The nonlinear distance to frontier for the total tax rate is equal to the distance to frontier for the total tax rate for the 15th percentile of the distribution for all countries included in the analysis. It is calculated and adjusted on a yearly basis. The second year of operation is recorded at the lower end of the distribution of tax rates. A range of standard deductions and exemptions are also recorded. Taxes and mandatory contributions are recorded at all levels of government. The *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). This year's threshold is 26.1%.

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2013 (number per year adjusted for electronic and joint filing and payment)

Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)

Method and frequency of filing and payment

Time required to comply with 3 major taxes (hours per year)

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

Total tax rate (% of profit before all taxes)

Profit or corporate income tax

Social contributions and labor taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

- Taxes and mandatory contributions include corporate income tax, turnover tax and all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

PAYING TAXES

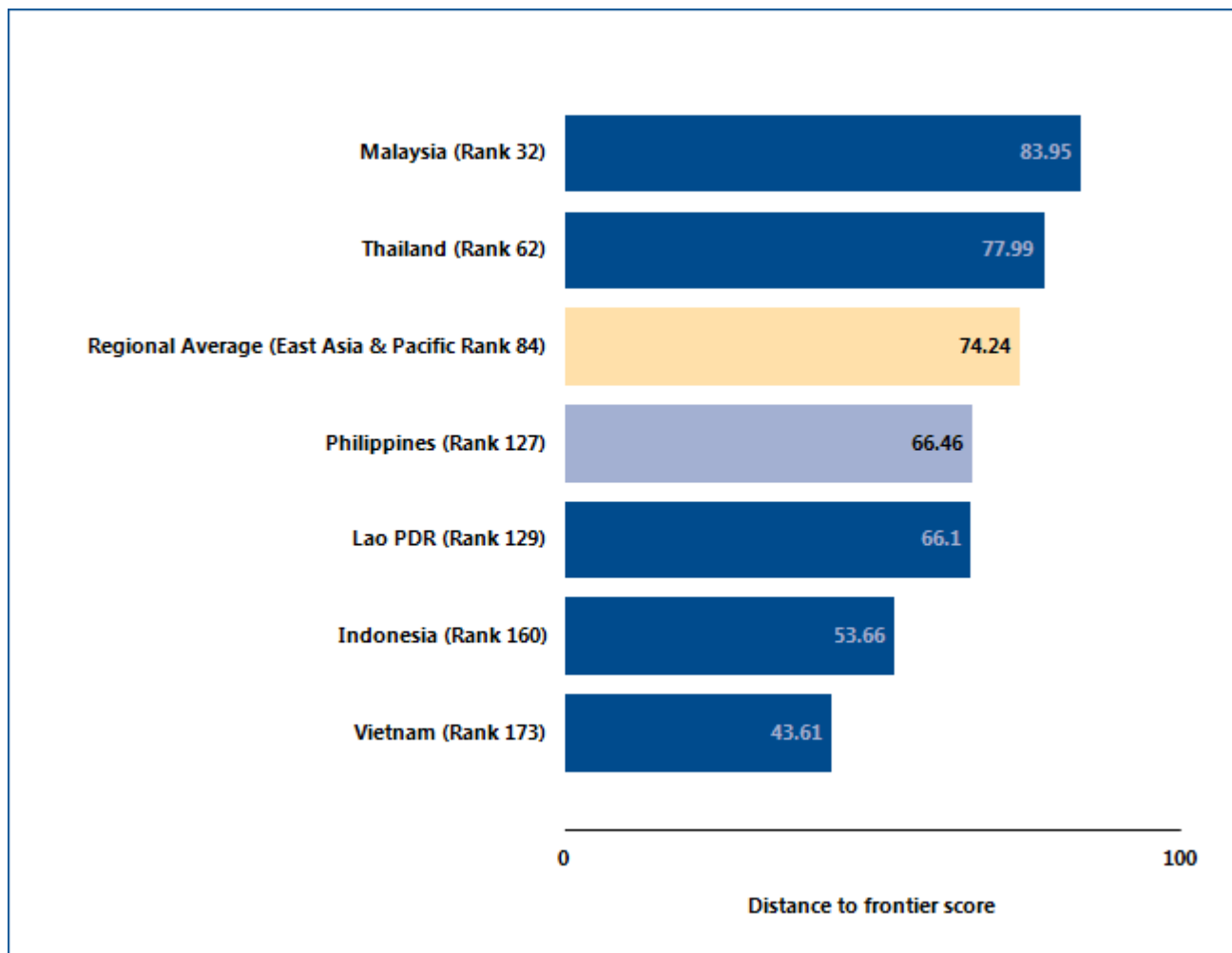
Where does the economy stand today?

What is the administrative burden of complying with taxes in Philippines—and how much do firms pay in taxes? On average, firms make 36.0 tax payments a year, spend 193.0 hours a year filing, preparing and paying taxes and pay total taxes amounting to 42.5% of profit (see the summary at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the

2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Philippines stands at 127 in the ranking of 189 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing the tax compliance burden for businesses in Philippines.

Figure 8.1 How Philippines and comparator economies rank on the ease of paying taxes



Source: Doing Business database.

PAYING TAXES

Economies around the world have made paying taxes faster and easier for businesses—such as by consolidating filings, reducing the frequency of payments or offering electronic filing and payment. Many have lowered tax rates. Changes have brought

concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in Philippines (table 8.1)?

Table 8.1 How has Philippines made paying taxes easier—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2010	The Philippines made paying taxes less costly for companies by reducing the corporate income tax rate.
DB2014	The Philippines made paying taxes easier for companies by introducing an electronic filing and payment system for social security contributions.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

PAYING TAXES

What are the details?

The indicators reported here for Philippines are based on the taxes and contributions that would be paid by a standardized case study company used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). Tax practitioners are asked to review a set of financial statements as well as a standardized list of assumptions and transactions that the company completed during its 2nd year of operation. Respondents are asked how much taxes and mandatory contributions the business must pay and how these taxes are filed and paid.

LOCATION OF STANDARDIZED COMPANY

City: Quezon City

The taxes and contributions paid are listed in the summary below, along with the associated number of payments, time and tax rate.

Table 8.2 Summary of tax rates and administration

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Corporate income tax	1	online filing	42	30%	taxable profit	20.5	
Local business tax	1		0	0.5%	previous year turnover	8.8	
Employer paid - Social security contributions	1	online filing	38	2.89% to 6.50%	gross salaries	6.1	
Real property tax	1		0	2%	assessed property value	4.4	
Employer paid - Health insurance	12	online filing	0	1.16% to 1.19%	gross salaries	1.2	
Employer paid - Housing development fund	12	online filing	0	2% or P100 per worker	gross salaries	0.6	
Tax on interest	1	online filing	0	20%	interest	0.5	
Employer paid - Employer's compensation	0	paid jointly	0	P 30	per employee per month	0.2	
Community tax certificate	1		0	P 10,500	fixed fee	0.1	
Environmental tax	1		0	P 10,000	fixed fee	0.1	

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Vehicle tax	1		0	basic fee + 24%	vehicle weight	0	
BIR certificate	0	paid jointly	0	P 500	fixed fee	0	
Value added tax (VAT)	1	online filing	113	12%	value added	0	not included
Tax on check transactions	1	online filing	0	P 1.5 per check	number of checks	0	small amount
Tax on insurance contracts	1	online filing	0	P 0.5 per each P 4	insurance premium	0	small amount
Stamp duty	1	online filing	0	various rates	contract value	0	small amount
Employee paid - Social security contributions	0	paid jointly	0	1.33% to 2.98%	gross salaries	0	withheld
Employee paid - Payroll tax	0	paid jointly	0	1.16% to 1.19%	per employee per month	0	withheld
Employee paid - Housing development fund	0	paid jointly	0	2% or P 100 per worker	gross salaries	0	withheld
Totals	36.0		193.0			42.5	

Source: Doing Business database.

TRADING ACROSS BORDERS

In today's globalized world, making trade between economies easier is increasingly important for business. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Research shows that exporters in developing countries gain more from a 10% drop in their trading costs than from a similar reduction in the tariffs applied to their products in global markets.

What do the indicators cover?

Doing Business measures the time and cost (excluding tariffs and the time and cost for sea transport) associated with exporting and importing a standard shipment of goods by sea transport, and the number of documents necessary to complete the transaction. The indicators cover predefined stages such as documentation requirements and procedures at customs and other regulatory agencies as well as at the port. They also cover trade logistics, including the time and cost of inland transport to the largest business city. The ranking of economies on the ease of trading across borders is determined by sorting their distance to frontier scores for trading across borders. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the traded goods.

The business:

- Is located in the economy's largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- Is a private, limited liability company, domestically owned and does not operate with special export or import privileges.
- Conducts export and import activities, but does not have any special accreditation such as an authorized economic operator status.

WHAT THE TRADING ACROSS BORDERS INDICATORS MEASURE

Documents required to export and import (number)

- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

Time required to export and import (days)

- Obtaining, filling out and submitting all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include sea transport time

Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes

The traded product:

- Is not hazardous nor includes military items.
- Does not require refrigeration or any other special environment.
- Do not require any special phytosanitary or environmental safety standards other than accepted international standards.
- Is one of the economy's leading export or import products.
- Is transported in a dry-cargo, 20-foot full container load.

TRADING ACROSS BORDERS

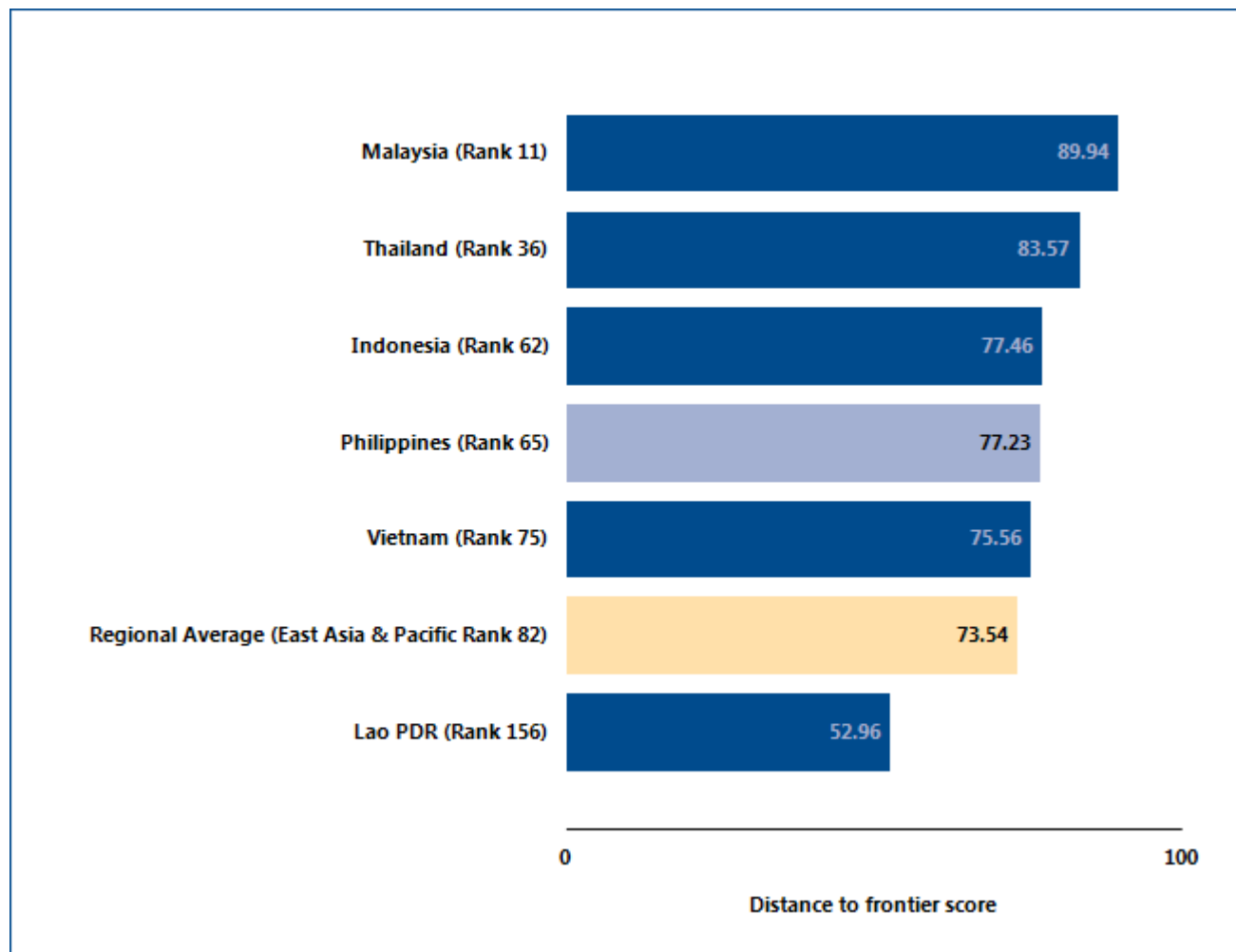
Where does the economy stand today?

What does it take to export or import in Philippines? According to data collected by *Doing Business*, exporting a standard container of goods requires 6 documents, takes 15.0 days and costs \$755.0. Importing the same container of goods requires 7 documents, takes 15.0 days and costs \$915.0 (see the summary of four predefined stages and documents at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a

population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Philippines stands at 65 in the ranking of 189 economies on the ease of trading across borders (figure 9.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for a business in Philippines to export and import goods.

Figure 9.1 How Philippines and comparator economies rank on the ease of trading across borders



Source: *Doing Business* database.

TRADING ACROSS BORDERS

In economies around the world, trading across borders as measured by *Doing Business* has become faster and easier over the years. Governments have introduced tools to facilitate trade—including single windows, risk-based inspections and electronic data interchange

systems. These changes help improve the trading environment and boost firms' international competitiveness. What trade reforms has *Doing Business* recorded in Philippines (table 9.1)?

Table 9.1 How has Philippines made trading across borders easier—or not?
By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2011	The Philippines reduced the time and cost to trade by improving its electronic customs systems, adding such functions as electronic payments and online submission of declarations.
DB2015	In the Philippines trading across borders became more difficult because of a new city ordinance restricting truck traffic in Manila.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

TRADING ACROSS BORDERS

What are the details?

The indicators reported here for Philippines are based on a set of specific predefined stages for trading a standard shipment of goods by ocean transport (see the section in this chapter on what the indicators cover). Information on the required documents and the time and cost to complete export and import is collected from local freight forwarders, shipping lines, customs brokers, port officials and banks.

LOCATION OF STANDARDIZED COMPANY

Port Name: Manila South & North harbors

City: Quezon City

The predefined stages, and the associated time and cost, for exporting and importing a standard shipment of goods are listed in the summary below, along with the required documents.

Table 9.2 Summary of predefined stages and documents for trading across borders in Philippines

Stages to export	Time (days)	Cost (US\$)
Customs clearance and inspections	2	85
Documents preparation	8	105
Inland transportation and handling	2	340
Ports and terminal handling	3	225
Totals	15	755

Stages to import	Time (days)	Cost (US\$)
Customs clearance and inspections	2	185
Documents preparation	8	90
Inland transportation and handling	2	340
Ports and terminal handling	3	300
Totals	15	915

Documents to export

Bill of lading
Commercial Invoice
Customs export declaration
Packing List
Technical standard/health certificate
Terminal handling receipts

Documents to import

Bill of lading
Certificate of origin
Commercial invoice
Customs import declaration
Delivery order
Gate Pass
Packing list

Source: Doing Business database.

ENFORCING CONTRACTS

Effective commercial dispute resolution has many benefits. Courts are essential for entrepreneurs because they interpret the rules of the market and protect economic rights. Efficient and transparent courts encourage new business relationships because businesses know they can rely on the courts if a new customer fails to pay. Speedy trials are essential for small enterprises, which may lack the resources to stay in business while awaiting the outcome of a long court dispute.

What do the indicators cover?

Doing Business measures the efficiency of the judicial system in resolving a commercial dispute before local courts. Following the step-by-step evolution of a standardized case study, it collects data relating to the time, cost and procedural complexity of resolving a commercial lawsuit. The ranking on the ease of enforcing contracts is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement. To make the data comparable across economies, *Doing Business* uses several assumptions about the case:

- The seller and buyer are located in the economy's largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- The buyer orders custom-made goods, then fails to pay.
- The seller sues the buyer before a competent court.
- The value of the claim is 200% of the income per capita or the equivalent in local currency of USD 5,000, whichever is greater.

WHAT THE ENFORCING CONTRACTS INDICATORS MEASURE

Procedures to enforce a contract through the courts (number)

- Steps to file and serve the case
- Steps for trial and judgment
- Steps to enforce the judgment

Time required to complete procedures (calendar days)

- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

Cost required to complete procedures (% of claim)

- Average attorney fees
- Court costs
- Enforcement costs

- The seller requests a pretrial attachment to secure the claim.
- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

ENFORCING CONTRACTS

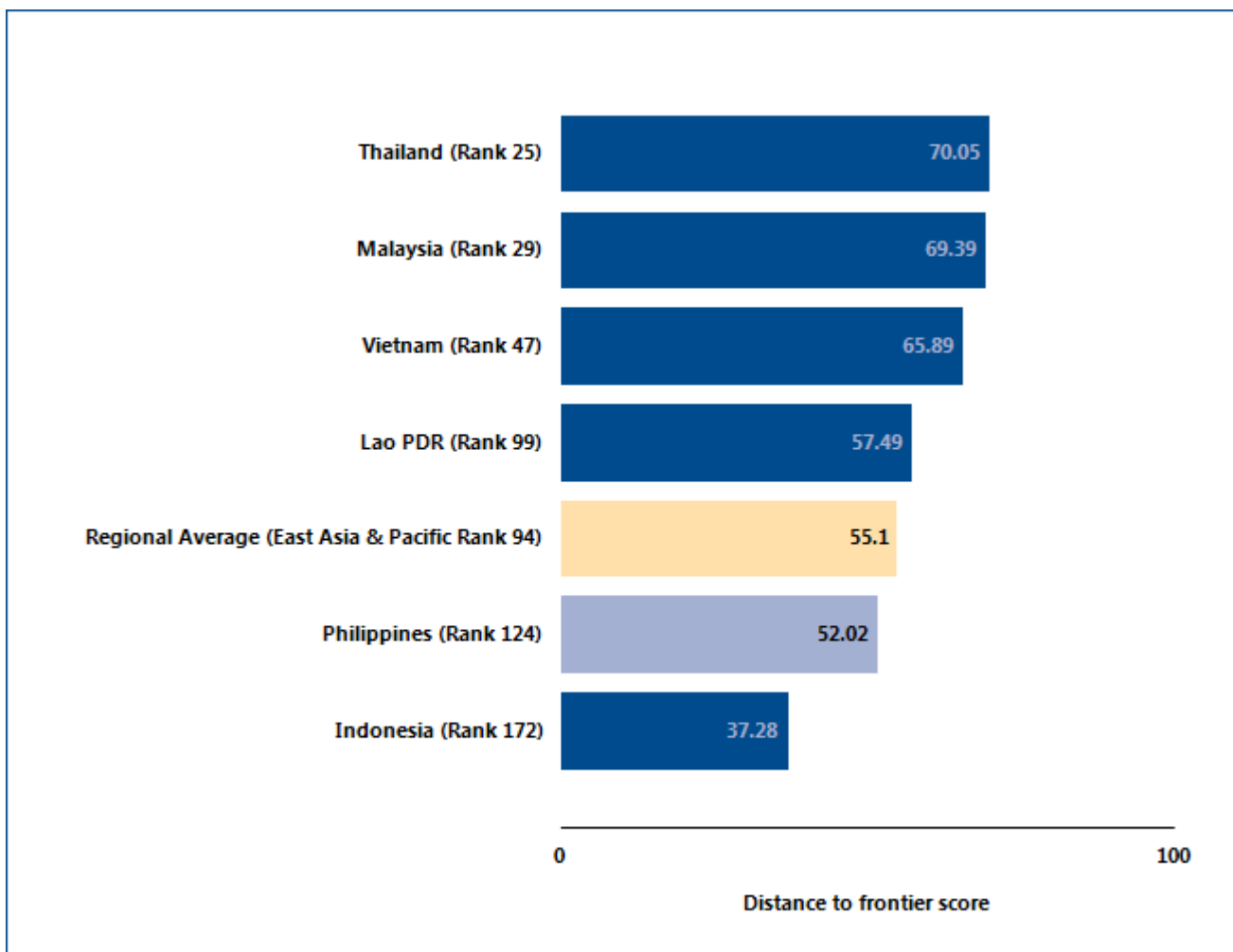
Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Philippines? According to data collected by *Doing Business*, contract enforcement takes 842.0 days, costs 31.0% of the value of the claim and requires 37.0 procedures (see the summary at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest

business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Philippines stands at 124 in the ranking of 189 economies on the ease of enforcing contracts (figure 10.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of contract enforcement in Philippines.

Figure 10.1 How Philippines and comparator economies rank on the ease of enforcing contracts



Source: *Doing Business* database.

ENFORCING CONTRACTS

What are the details?

The indicators reported here for Philippines are based on a set of specific procedural steps required to resolve a standardized commercial dispute through the courts (see the section in this chapter on what the indicators cover). These procedures, and the time and cost of completing them, are identified through study of the codes of civil procedure and other court regulations, as well as through questionnaires completed by local litigation lawyers (and, in a quarter of the economies covered by *Doing Business*, by judges as well).

COURT NAME	
Claim value:	PHP 220,592
Court name:	Quezon City Metropolitan Trial Court
City:	Quezon City

Table 10.2 Summary of time, cost and procedures for enforcing a contract in Philippines

Indicator	Philippines	East Asia & Pacific average
Time (days)	842	554
Filing and service	58	
Trial and judgment	580	
Enforcement of judgment	204	
Cost (% of claim)	31.0	48.6
Attorney cost (% of claim)	20.0	
Court cost (% of claim)	6.0	
Enforcement Cost (% of claim)	5.0	
Procedures (number)	37	37
Number of procedures (without bonus points)	37	
Total number of procedures (including bonus points)	37	

No.	Procedures
	Filing and service:
1	Plaintiff requests payment: Plaintiff or his lawyer asks Defendant orally or in writing to comply with the contract.
2	Plaintiff hires a lawyer: Plaintiff hires a lawyer.
*	Plaintiff files a summons and complaint: Plaintiff files a summons and complaint with the court (orally or in writing).
*	Plaintiff pays court fees: Plaintiff pays court fees (e.g. court duties, stamp duties, or any other type of court fees). Answer 'yes' even if Plaintiff recovers these costs.
3	Registration of court case: Registration of court case by the court administration (this can include assigning a reference number to the case).
*	Assignment of court case to a judge: Assignment of court case to a judge (through a random procedure, automated system, ruling of an administrative judge, court officer, etc).
4	Judicial scrutiny of summons and complaint: Judge examines Plaintiff's summons and complaint for formal requirements as a matter of law or standard practice.
*	Judge admits summons and complaint: Judge admits summons and complaint (after verifying the formal requirements).
5	Court order for service: Upon Plaintiff's request, judge orders process be served on Defendant.
*	Arrangements for physical delivery of summons and complaint: Plaintiff takes the necessary steps to arrange for physical service of process on Defendant (e.g. instructing a court officer or a private bailiff).
6	Attempt at physical delivery: An attempt to physically deliver summons and complaint to Defendant is made.
7	Substituted service: Substituted service is completed by publication in newspapers, by affixing a notice in court or on public bulletin boards, etc.
*	Application for pre-judgment attachment: Plaintiff submits an application in writing for the attachment of Defendant's property prior to judgment.
*	Decision on pre-judgment attachment: Judge decides whether to grant Plaintiff's request for pre-judgment attachment of Defendant's property and notifies Plaintiff and Defendant of the decision.
8	Pre-judgment attachment order: Defendant's property is attached prior to judgment. Attachment order either involves physical attachment, or is achieved by freezing, registering, marking, or otherwise separating and restricting Defendant's movement of specific moveable assets.
9	Custody of assets attached prior to judgment: If physical attachment is ordered, Defendant's attached assets are placed in the custody or control of an enforcement officer or private bailiff.
10	Report on pre-judgment attachment: Court enforcement officer or private bailiff issues and delivers a report on the attachment of Defendant's property to the judge.

No.	Procedures
11	Hearing on pre-judgment attachment: A hearing takes place as a matter of law or standard practice to resolve the question of whether Defendant's assets can be attached prior to judgment. This process may include the submission of separate summons and petitions.
	Trial and judgment:
12	Defendant files an answer to Plaintiff's claim: Defendant files a written pleading which includes his answer or defense on the merits of the case (see assumption 4).
13	Filing of written submissions: Plaintiff and Defendant file written pleadings and submissions with the court and transmit copies of the written pleadings or submissions to one another. The pleadings may or may not include witness statements or expert (witness) statements.
14	Pre-trial conference on procedure: The judge meets with the parties to discuss procedural issues (for example which applications and motions parties intend to file, which documents parties intend to rely on, etc.).
*	Setting of date for mediation hearing: The judge sets a date for a mediation hearing, sometimes also called a 'pre-trial conference,' and notifies the parties of the hearing date.
15	Mediation hearing: The judge, during this informal meeting with the parties, encourages them to settle the case (acting as mediator). The case cannot be settled, the judge may draft a pre-trial conference report, after which the case may be allocated to another judge for tr
16	Adjournments: Court proceedings are delayed because one or both parties request and obtain an adjournment to prepare for the oral hearing or trial as a matter of common practice.
17	Trial (prevalent in common law): The parties argue the merits of the case at (an) oral session(s) before the court. Witnesses and expert witnesses are questioned and cross-examined during trial.
18	Adjournments: Court proceedings are delayed because one or both parties request and obtain an adjournment during the oral hearing or trial, resulting in an additional or later trial or hearing date.
19	Order for submission of final arguments: The judge sets a deadline for the submission of final factual and legal arguments.
*	Final arguments: The parties present their final factual and legal arguments to the court either by oral presentation or by a written submission.
20	Notification of judgment in court: The parties are notified of the judgment at a court hearing.
21	Writing of judgment: The judge produces a written copy of the judgment.
22	Registration of judgment: The court office registers the judgment after receiving a written copy of the judgment.
23	Plaintiff receives a copy of the judgment: Plaintiff receives a copy of the written judgment which is 100% in favor of Plaintiff (see assumption 6).
24	Defendant is formally notified of the judgment: Plaintiff or court formally notifies the Defendant of the judgment. The appeal period starts to run from the day the Defendant is formally notified of the judgment.

No.	Procedures
25	Appeal period: By law Defendant has the opportunity to appeal the judgment during a specified period. Defendant decides not to appeal. Seller decides to start enforcing the judgment when the appeal period ends (see assumption 8).
26	Order for reimbursement by Defendant of Plaintiff's court fees: The judgment orders Defendant to reimburse Plaintiff for the court fees Plaintiff has advanced, because Defendant has lost the case.
	Enforcement of judgment:
*	Plaintiff hires a lawyer: Plaintiff hires a lawyer to enforce the judgment or continues to be represented by a lawyer during the enforcement of judgment phase.
27	Plaintiff retains an enforcement agent to enforce the judgment.: Plaintiff retains the services of a court enforcement officer such as a court bailiff or sheriff, or a private bailiff.
*	Plaintiff requests an enforcement order: Plaintiff applies to the court to obtain the enforcement order ('seal' on judgment).
28	Plaintiff advances enforcement fees: Plaintiff pays the fees related to the enforcement of the judgment.
29	Attachment of enforcement order to judgment: The judge attaches the enforcement order ('seal') to the judgment.
*	Delivery of enforcement order: The court's enforcement order is delivered to a court enforcement officer or a private bailiff.
30	Request to Defendant to comply voluntarily with judgment: Plaintiff, a court enforcement officer or a private bailiff requests Defendant to voluntarily comply with the judgment.
31	Plaintiff identifies Defendant's assets for attachment: Plaintiff identifies Defendant's assets for attachment.
32	Attachment: Defendant's movable goods are attached (physically or by registering, marking or separating assets).
33	Report on execution of attachment: A court enforcement officer or private bailiff delivers a report on the attachment of Defendant's movable goods to the judge.
34	Enforcement disputes before court: The enforcement of the judgment is delayed because Defendant opposes aspects of the enforcement process before the judge.
35	Sale through public auction: The Defendant's movable property is sold at public auction.
*	Direct sale: Defendant's property is sold but not through a public auction. Checked as 'yes' if the direct sale is common as an alternative to a public auction (assumption 9 is disregarded here).
36	Distribution of proceeds: The proceeds of the public auction are distributed to Plaintiff (and, where applicable, to other creditors, according to the rules of priority).
37	Reimbursement of Plaintiff's enforcement fees: Defendant reimburses Plaintiff's enforcement fees which Plaintiff had advanced previously.

* Not counted in the total number of procedures.

Source: *Doing Business* database.

RESOLVING INSOLVENCY

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in the speedy return of businesses to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses and thereby improve growth and sustainability in the economy overall.

What do the indicators cover?

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic legal entities. These variables are used to calculate the recovery rate, which is recorded as cents on the dollar recouped by secured creditors through reorganization, liquidation or debt enforcement (foreclosure) proceedings. To determine the present value of the amount recovered by creditors, *Doing Business* uses the lending rates from the International Monetary Fund, supplemented with data from central banks and the Economist Intelligence Unit.

In addition, *Doing Business* evaluates the adequacy and integrity of the existing legal framework applicable to liquidation and reorganization proceedings through the strength of insolvency framework index. The index tests whether economies adopted internationally accepted good practices in four areas: commencement of proceedings, management of debtor's assets, reorganization proceedings and creditor participation.

The ranking of the Resolving Insolvency indicator is based on the recovery rate and the total score of the strength of insolvency framework index. The Resolving Insolvency indicator does not measure insolvency proceedings of individuals and financial institutions. The data are derived from survey responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

Time required to recover debt (years)

Measured in calendar years

Appeals and requests for extension are included

Cost required to recover debt (% of debtor's estate)

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

Outcome

Whether business continues operating as a going concern or business assets are sold piecemeal

Recovery rate for creditors

Measures the cents on the dollar recovered by secured creditors

Outcome for the business (survival or not) determines the maximum value that can be recovered

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Present value of debt recovered

Strength of insolvency framework index (0-16)

Sum of the scores of four component indices:

Commencement of proceedings index (0-3)

Management of debtor's assets index (0-6)

Reorganization proceedings index (0-3)

Creditor participation index (0-4)

RESOLVING INSOLVENCY

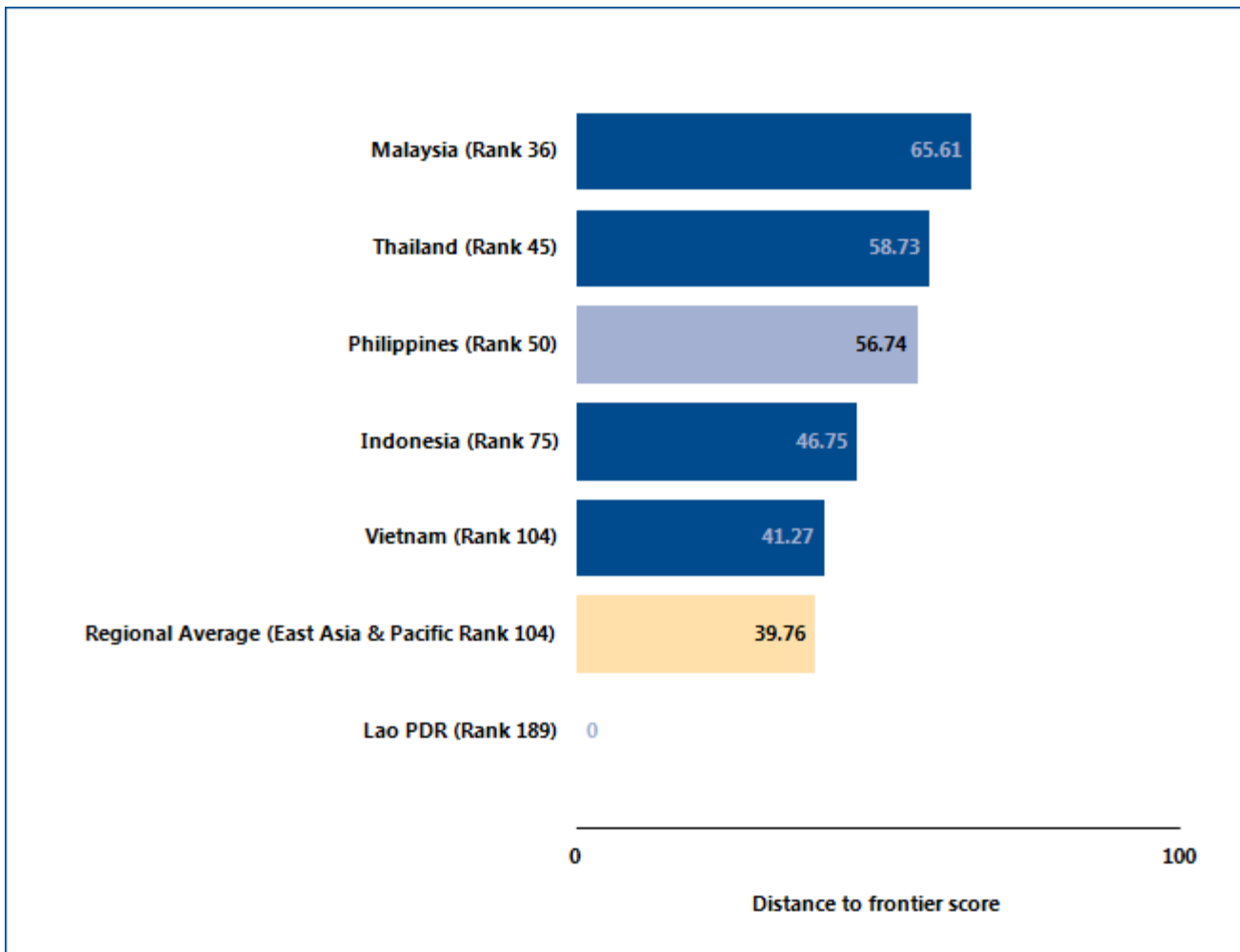
Where does the economy stand today?

Combination of quality regulations and efficient practice characterize the top-performing economies. How efficient are insolvency proceedings in Philippines? According to data collected by *Doing Business*, resolving insolvency takes 2.7 years on average and costs 32.0% of the debtor's estate, with the most likely outcome being that the company will be sold as piecemeal sale. The average recovery rate is 21.2 cents on the dollar. Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

According to data collected by *Doing Business*, Philippines scores 3.0 out of 3 points on the commencement of proceedings index, 5.5 out of 6 points on the management of debtor's assets index, 3.0 out of 3 points on the reorganization proceedings index, and 3.0 out of 4 points on the creditor participation index. Philippines's total score on the strength of insolvency framework index is 14.5 out of 16.

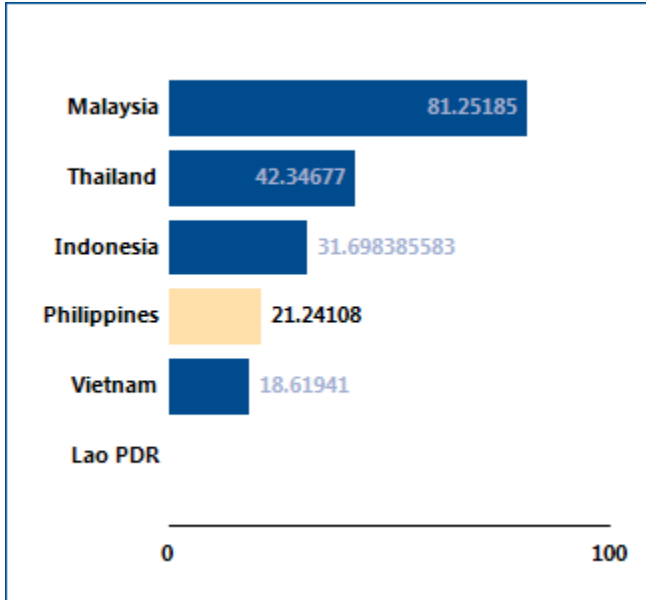
Globally, Philippines stands at 50 in the ranking of 189 economies on the ease of resolving insolvency (figure 11.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of insolvency proceedings in Philippines.

Figure 11.1 How Philippines and comparator economies rank on the ease of resolving insolvency



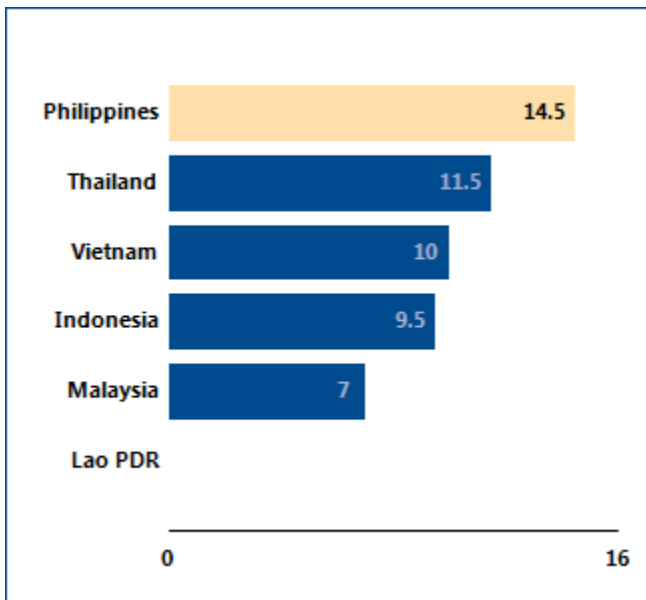
Source: Doing Business database.

Figure 11.2 Recovery Rate (0-100) - Philippines



Source: Doing Business database.

Figure 11.3 Strength of insolvency framework index (0-16) - Philippines



Source: Doing Business database.

RESOLVING INSOLVENCY

A well-balanced bankruptcy system distinguishes companies that are financially distressed but economically viable from inefficient companies that should be liquidated. But in some insolvency systems even viable businesses are liquidated. This is starting to

change. Many recent reforms of bankruptcy laws have been aimed at helping more of the viable businesses survive. What insolvency reforms has *Doing Business* recorded in Philippines (table 11.1)?

Table 11.1 How has Philippines made resolving insolvency easier—or not?

By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2010	The Philippines enhanced its insolvency process by promoting reorganization procedures through the introduction of prepackaged reorganizations and by establishing qualification requirements for receivers.
DB2012	The Philippines adopted a new insolvency law that provides a legal framework for liquidation and reorganization of financially distressed companies.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

LABOR MARKET REGULATION

Doing Business measures flexibility in the regulation of employment, specifically as it affects the hiring and redundancy of workers and the rigidity of working hours. This year, for the first time, the indicators measuring flexibility in labor market regulations focus on those affecting the food retail industry, using a standardized case study of a cashier in a supermarket. Also new is that *Doing Business* collects data on regulations applying to employees hired through temporary-work agencies as well as on those applying to permanent employees or employees hired on fixed-term contracts. The indicators also cover additional areas of labor market regulation, including social protection schemes and benefits as well as labor disputes.

Over the period from 2007 to 2011 improvements were made to align the methodology for the labor market regulation indicators (formerly the employing workers indicators) with the letter and spirit of the International Labour Organization (ILO) conventions. Only 6 of the 188 ILO conventions cover areas measured by *Doing Business*: employee termination, weekend work, holiday with pay, night work, protection against unemployment and medical care and sickness benefits. The *Doing Business* methodology is fully consistent with these 6 conventions. The ILO conventions covering areas related to the labor market regulation indicators do not include the ILO core labor standards—8 conventions covering the right to collective bargaining, the elimination of forced labor, the abolition of child labor and equitable treatment in employment practices.

Between 2009 and 2011 the World Bank Group worked with a consultative group—including labor lawyers, employer and employee representatives, and experts from the ILO, the Organisation for Economic Co-operation and Development (OECD), civil society and the private sector—to review the methodology for the labor market regulation indicators and explore future areas of research.

A full report with the conclusions of the consultative group is available at:
<http://www.doingbusiness.org/methodology/employing-workers>.

Doing Business 2015 presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on these indicators nor include the topic in the aggregate distance to frontier score or ranking on the ease of doing business. Detailed data collected on labor market regulations are available on the *Doing Business* website (<http://www.doingbusiness.org>). The data on labor market regulations are based on a detailed survey of employment regulations that is completed by local lawyers and public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy. To make the data comparable across economies, several assumptions about the worker and the business are used.

The worker:

- Is a cashier in a supermarket or a grocery store
- Is a full-time employee
- Is not a member of the labor union, unless membership is mandatory

The business:

- Is a limited liability company (or the equivalent in the economy) with 60 employees.
- Operates a supermarket or grocery store in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is subject to collective bargaining agreements if such agreements cover more than 50% of the food retail sector and they apply even to firms that are not party to them.
- Abides by every law and regulation but does not grant workers more benefits than those mandated by law, regulation or (if applicable) collective bargaining agreements.

LABOR MARKET REGULATION

What are the details?

The data reported here for Philippines are based on a detailed survey of labor market regulation that is completed by local lawyers and public officials.

Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

Difficulty of hiring index

Difficulty of hiring covers 4 areas: (i) whether fixed-term contracts are prohibited for permanent tasks; (ii) the maximum cumulative duration of fixed-term contracts; (iii) the minimum wage for a cashier, age 19, with 1 year of work experience; and (iv) the ratio of the minimum

wage to the average value added per worker. The average value added per worker is the ratio of an economy's GNI per capita to the working-age population as a percentage of the total population.

Difficulty of hiring index	Data
Fixed-term contracts prohibited for permanent tasks?	No
Maximum length of a single fixed-term contract (months)	No limit
Maximum length of fixed-term contracts, including renewals (months)	No limit
Minimum wage applicable to the worker assumed in the case study (US\$/month)	304.93
Ratio of minimum wage to value added per worker	0.69

Source: *Doing Business* database.

LABOR MARKET REGULATION

Rigidity of hours index

Rigidity of hours covers 7 areas: (i) whether the workweek can extend to 50 hours or more (including overtime) for 2 months in a year to respond to a seasonal increase in workload; (ii) the maximum number of days allowed in the workweek; (iii) the premium for night work (as a percentage of hourly pay); (iv) the premium for work on a weekly rest day (as a percentage of hourly pay); (v) whether there are restrictions on night work; (vi) whether there are restrictions on weekly holiday work; and (vii) the average paid annual leave for workers with 1 year of tenure, 5 years of tenure and 10 years of tenure.

Rigidity of hours index	Data
50-hour workweek allowed for 2 months a year in case of a seasonal increase in workload?	Yes
Maximum working days per week	6.0
Premium for night work (% of hourly pay)	10%
Premium for work on weekly rest day (% of hourly pay)	30%
Major restrictions on night work?	No
Major restrictions on weekly holiday?	No
Paid annual leave for a worker with 1 year of tenure (in working days)	5.0
Paid annual leave for a worker with 5 years of tenure (in working days)	5.0
Paid annual leave for a worker with 10 years of tenure (in working days)	5.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	5.0

Source: *Doing Business* database.

LABOR MARKET REGULATION

Difficulty of redundancy index

Difficulty of redundancy index looks at 9 questions: (i) what the length is in months of the maximum probationary period; (ii) whether redundancy is disallowed as a basis for terminating workers; (iii) whether the employer needs to notify a third party (such as a government agency) to terminate 1 redundant worker; (iv) whether the employer needs to notify a third party to terminate a group of 9 redundant workers; (v)

whether the employer needs approval from a third party to terminate 1 redundant worker; (vi) whether the employer needs approval from a third party to terminate a group of 9 redundant workers; (vii) whether the law requires the employer to reassign or retrain a worker before making the worker redundant; (viii) whether priority rules apply for redundancies; and (ix) whether priority rules apply for reemployment.

Difficulty of redundancy index	Data
Maximum length of probationary period (months)	6.0
Dismissal due to redundancy allowed by law?	Yes
Third-party notification if 1 worker is dismissed?	Yes
Third-party approval if 1 worker is dismissed?	No
Third-party notification if 9 workers are dismissed?	Yes
Third-party approval if 9 workers are dismissed?	No
Retraining or reassignment obligation before redundancy?	No
Priority rules for redundancies?	Yes
Priority rules for reemployment?	No

Source: *Doing Business* database.

LABOR MARKET REGULATION

Redundancy cost

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

requirements and severance payments applicable to a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is considered. One month is recorded as 4 and 1/3 weeks.

Redundancy cost indicator (in salary weeks)	Data
Notice period for redundancy dismissal for a worker with 1 year of tenure	4.3
Notice period for redundancy dismissal for a worker with 5 years of tenure	4.3
Notice period for redundancy dismissal for a worker with 10 years of tenure	4.3
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	4.3
Severance pay for redundancy dismissal for a worker with 1 year of tenure	4.3
Severance pay for redundancy dismissal for a worker with 5 years of tenure	21.7
Severance pay for redundancy dismissal for a worker with 10 years of tenure	43.3
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	23.1

Source: *Doing Business* database.

Social protection schemes and benefits & Labor disputes

Doing Business collects data on the existence of unemployment protection schemes as well as data on whether employers are legally required to provide health insurance for employees with permanent contracts.

Doing Business also assesses the mechanisms available to resolve labor disputes. More specifically, it collects data on what courts would be competent to hear labor disputes and whether the competent court is specialized in resolving labor disputes.

Social protection schemes and benefits & Labor disputes indicator	Data
Availability of unemployment protection scheme?	No
Health insurance existing for permanent employees?	Yes
Availability of courts or court sections specializing in labor disputes?	Yes

Source: *Doing Business* database.

DISTANCE TO FRONTIER AND EASE OF DOING BUSINESS RANKING

This year's report presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking, which for the first time this year is based on the distance to frontier score. The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each *Doing Business* indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in other economies.

Distance to Frontier

The distance to frontier score captures the gap between an economy's performance and a measure of best practice across the entire sample of 31 indicators for 10 *Doing Business* topics (the labor market regulation indicators are excluded). For starting a business, for example, Canada and New Zealand have the smallest number of procedures required (1), and New Zealand the shortest time to fulfill them (0.5 days). Slovenia has the lowest cost (0.0), and Australia, Colombia and 110 other economies have no paid-in minimum capital requirement (table 15.1 in the *Doing Business 2015* report).

Calculation of the distance to frontier score

Calculating the distance to frontier score for each economy involves 2 main steps. First, individual component indicators are normalized to a common unit where each of the 31 component indicators y (except for the total tax rate) is rescaled using the linear transformation $(\text{worst} - y)/(\text{worst} - \text{frontier})$. In this formulation the frontier represents the best performance on the indicator across all economies since 2005 or the third year after data for the indicator were collected for the first time. For legal indicators such as those on getting credit or protecting minority investors, the frontier is set at the highest possible value. For the total tax rate, consistent with the use of a threshold in calculating the rankings on this indicator, the frontier is

defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis. For the time to pay taxes the frontier is defined as the lowest time recorded among all economies that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and value added tax (VAT) or sales tax. In addition, the cost to export and cost to import for each year are divided by the GDP deflator, to take the general price level into account when benchmarking these absolute-cost indicators across economies with different inflation trends. The base year for the deflator is 2013 for all economies.

In the same formulation, to mitigate the effects of extreme outliers in the distributions of the rescaled data for most component indicators (very few economies need 700 days to complete the procedures to start a business, but many need 9 days), the worst performance is calculated after the removal of outliers. The definition of outliers is based on the distribution for each component indicator. To simplify the process, 2 rules were defined: the 95th percentile is used for the indicators with the most dispersed distributions (including time, cost, minimum capital and number of payments to pay taxes), and the 99th percentile is used for number of procedures and number of documents to trade. No outlier was removed for component indicators bound by definition or construction, including legal index scores (such as the depth of credit information index, extent of conflict of interest regulation index and strength of insolvency framework index) and the recovery rate (figure 15.1 in the *Doing Business 2015* report).

Second, for each economy the scores obtained for individual indicators are aggregated through simple averaging into one distance to frontier score, first for each topic and then across all 10 topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly identical to the simple average used by *Doing Business*⁶. Thus *Doing Business* uses the simplest

⁶ See Djankov, Manraj and others (2005). Principal components and unobserved components methods yield a ranking nearly identical to

method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components⁷.

An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. All distance to frontier calculations are based on a maximum of 5 decimals. However, indicator ranking calculations and the ease of doing business ranking calculations are based on 2 decimals. The difference between an economy's distance to frontier score in any previous year and its score in 2014 illustrates the extent to which the economy has closed the gap to the regulatory frontier over time. And in any given year the score measures how far an economy is from the best performance at that time.

Treatment of the total tax rate

This year, for the first time, the total tax rate component of the paying taxes indicator set enters the distance to frontier calculation in a different way than any other indicator. The distance to frontier score obtained for the total tax rate is transformed in a nonlinear fashion before it enters the distance to frontier score for paying taxes. As a result of the nonlinear transformation, an increase in the total tax rate has a smaller impact on the distance to frontier score for the total tax rate—and therefore on the distance to frontier score for paying taxes—for economies with a below-average total tax rate than it would have in the calculation done in previous years (line B is smaller than line A in figure 15.2 of the *Doing Business 2015* report). And for economies with an extreme total tax rate (a rate that is very high relative to the average), an increase has a greater impact on both these distance to frontier scores than before (line D is bigger than line C in figure 15.2 of the *Doing Business 2015* report).

The nonlinear transformation is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in an economy's

that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

⁷ For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. Indicators for all other topics are assigned equal weights

overall tax system. Instead, it is mainly empirical in nature. The nonlinear transformation along with the threshold reduces the bias in the indicator toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). In addition, it acknowledges the need of economies to collect taxes from firms.

Calculation of scores for economies with 2 cities covered

For each of the 11 economies for which a second city was added in this year's report, the distance to frontier score is calculated as the population-weighted average of the distance to frontier scores for the 2 cities covered (table 12.1). This is done for the aggregate score, the scores for each topic and the scores for all the component indicators for each topic.

Table 12.1 Weights used in calculating the distance to frontier scores for economies with 2 cities covered

Economy	City	Weight (%)
Bangladesh	Dhaka	78
	Chittagong	22
Brazil	São Paulo	61
	Rio de Janeiro	39
China	Shanghai	55
	Beijing	45
India	Mumbai	47
	Delhi	53
Indonesia	Jakarta	78
	Surabaya	22
Japan	Tokyo	65
	Osaka	35
Mexico	Mexico City	83
	Monterrey	17
Nigeria	Lagos	77
	Kano	23
Pakistan	Karachi	65
	Lahore	35
Russian Federation	Moscow	70
	St. Petersburg	30
United States	New York	60
	Los Angeles	40

Source: United Nations, Department of Economic and Social Affairs, Population Division, World Urbanization Prospects, 2014 Revision. <http://esa.un.org/unpd/wup/CD-ROM/Default.aspx>.

Economies that improved the most across 3 or more *Doing Business* topics in 2013/14

Doing Business 2015 uses a simple method to calculate which economies improved the ease of doing business the most. First, it selects the economies that in 2013/14 implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's aggregate distance to frontier score. Twenty-one economies meet this criterion: Azerbaijan; Benin; the Democratic Republic of Congo; Côte d'Ivoire; the Czech Republic; Greece; India; Ireland; Kazakhstan; Lithuania; the former Yugoslav Republic of Macedonia; Poland; Senegal; the Seychelles; Spain; Switzerland; Taiwan, China; Tajikistan; Togo; Trinidad and Tobago; and the United Arab Emirates. Second, *Doing Business* sorts these economies on the increase in their distance to frontier score from the previous year using comparable data.

Selecting the economies that implemented regulatory reforms in at least 3 topics and had the biggest improvements in their distance to frontier scores is intended to highlight economies with ongoing, broad-based reform programs. The improvement in the distance to frontier score is used to identify the top improvers because this allows a focus on the absolute improvement—in contrast with the relative improvement shown by a change in rankings—that economies have made in their regulatory environment for business.

Ease of *Doing Business* ranking

The ease of doing business ranking ranges from 1 to 189. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to 2 decimals.

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