

Doing Business 2011

Philippines

Making
a Difference for
Entrepreneurs

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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Introduction

Doing Business 2011: Making a Difference for Entrepreneurs is the eighth in a series of annual reports investigating regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

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

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies.

The following pages present the summary Doing Business indicators for Philippines. The data used for this economy profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator.

The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2011: Making a Difference for Entrepreneurs* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website (www.doingbusiness.org).

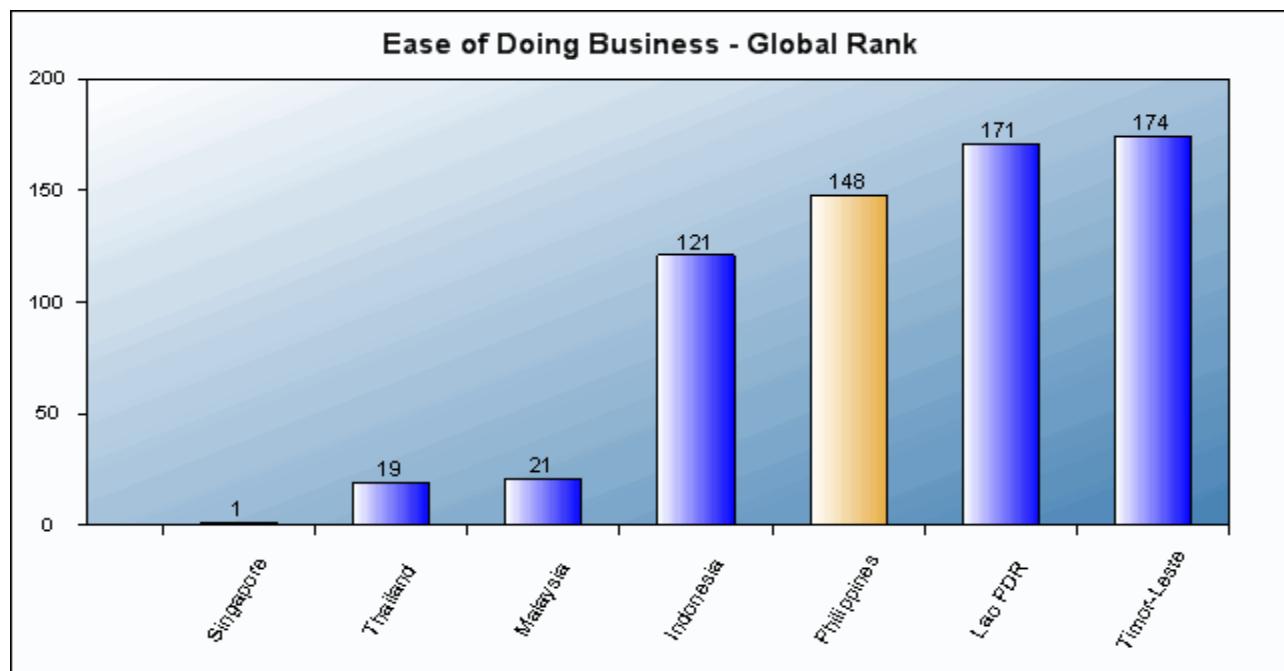
* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

Note: 2008-2010 Doing Business data and rankings have been recalculated to reflect changes to the methodology and the addition of new economies (in the case of the rankings).

Economy Rankings - Ease of Doing Business

Philippines is ranked 148 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

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



Philippines's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	148
Starting a Business	156
Dealing with Construction Permits	156
Registering Property	102
Getting Credit	128
Protecting Investors	132
Paying Taxes	124
Trading Across Borders	61
Enforcing Contracts	118
Closing a Business	153

Summary of Indicators - Philippines

Starting a Business	Procedures (number)	15
	Time (days)	38
	Cost (% of income per capita)	29.7
	Min. capital (% of income per capita)	6.0
Dealing with Construction Permits	Procedures (number)	26
	Time (days)	169
	Cost (% of income per capita)	778.5
Registering Property	Procedures (number)	8
	Time (days)	33
	Cost (% of property value)	4.3
Getting Credit	Strength of legal rights index (0-10)	3
	Depth of credit information index (0-6)	3
	Public registry coverage (% of adults)	0.0
	Private bureau coverage (% of adults)	7.4
Protecting Investors	Extent of disclosure index (0-10)	2
	Extent of director liability index (0-10)	2
	Ease of shareholder suits index (0-10)	8
	Strength of investor protection index (0-10)	4.0
Paying Taxes	Payments (number per year)	47
	Time (hours per year)	195
	Profit tax (%)	21.3
	Labor tax and contributions (%)	10.3
	Other taxes (%)	14.2
	Total tax rate (% profit)	45.8
Trading Across Borders	Documents to export (number)	8
	Time to export (days)	15
	Cost to export (US\$ per container)	675
	Documents to import (number)	8
	Time to import (days)	14
	Cost to import (US\$ per container)	730

Enforcing Contracts	Procedures (number)	37
	Time (days)	842
	Cost (% of claim)	26.0
Closing a Business	Recovery rate (cents on the dollar)	4.5
	Time (years)	5.7
	Cost (% of estate)	38

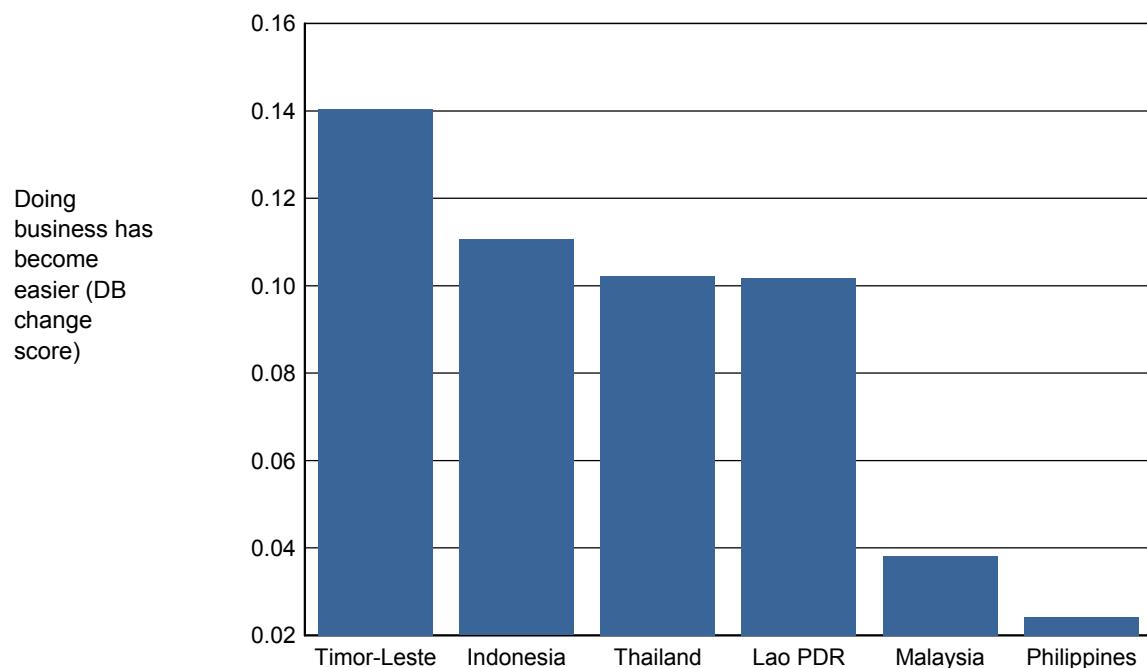
Doing Business 2011

5 - Year Measure of Cumulative Change

The 5 year measure of cumulative change illustrates how the business regulatory environment has changed in 174 economies from *Doing Business 2006* to *Doing Business 2011*. Instead of highlighting which countries currently have the most business friendly environment, this new approach shows the extent to which an economy's regulatory environment for business has changed compared with 5 years ago.

This snapshot reflects all cumulative changes in an economy's business regulation as measured by the Doing Business indicators—such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions.

This figure shows the distribution of cumulative change across the 9 indicators and time between *Doing Business 2006* and *Doing Business 2011*.



Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

Some reform outcomes

In Egypt reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.

In Portugal creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.

In Malaysia reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.

What does Starting a Business measure?

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (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
- Procedure completed once final document is received
- No prior contact with officials

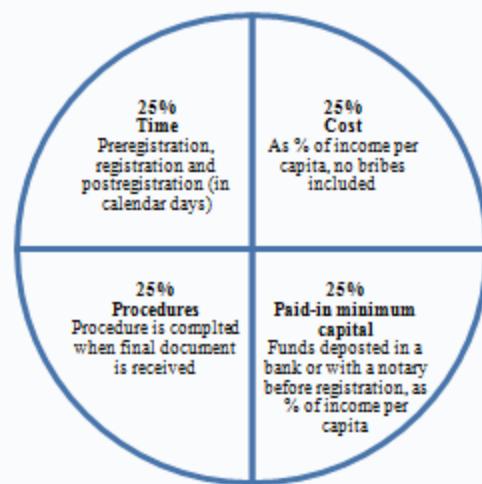
Cost required to complete each procedure (% of income per capita)

- 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 prior to registration begins

Starting a Business: getting a local limited liability company up and running
Rankings are based on 4 subindicators



Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

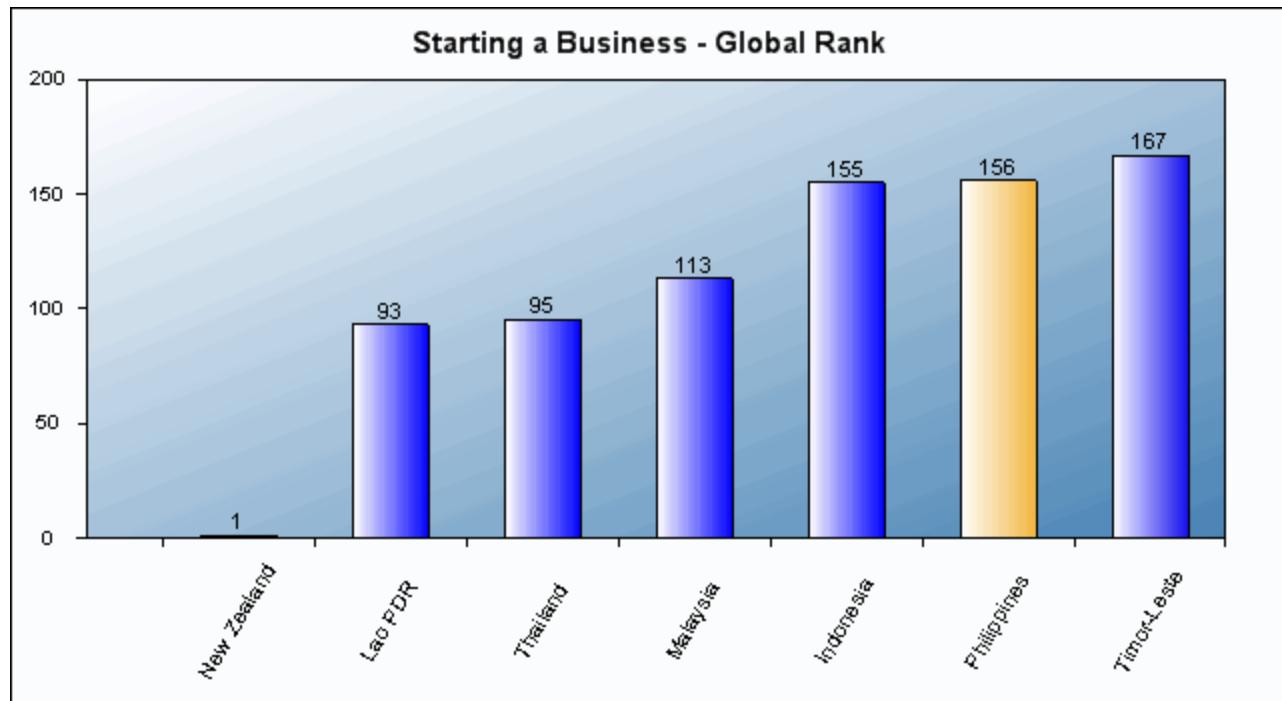
The business:

- is a limited liability company, located in the largest business city
- conducts general commercial activities
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

1. Benchmarking Starting a Business Regulations:

Philippines is ranked 156 overall for Starting a Business.

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



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

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

Selected Economy				
Philippines	15	38	29.7	6.0

Comparator Economies				
Indonesia	9	47	22.3	53.1
Lao PDR	7	100	11.3	0.0
Malaysia	9	17	17.5	0.0
Thailand	7	32	5.6	0.0
Timor-Leste	10	83	18.4	921.3

* The following economies are also good practice economies for :

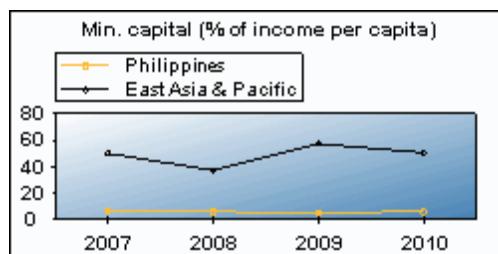
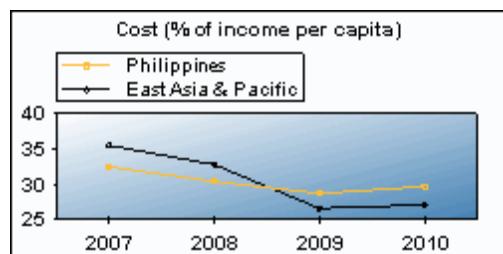
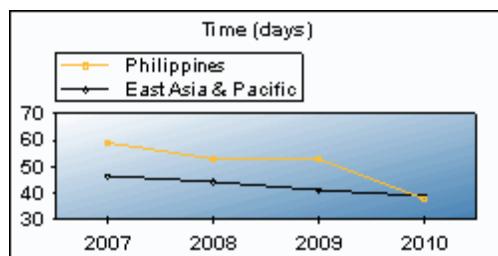
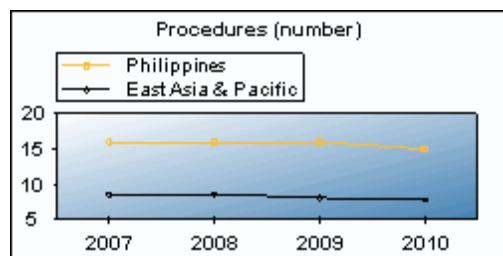
Procedures (number): Canada

Cost (% of income per capita): Slovenia

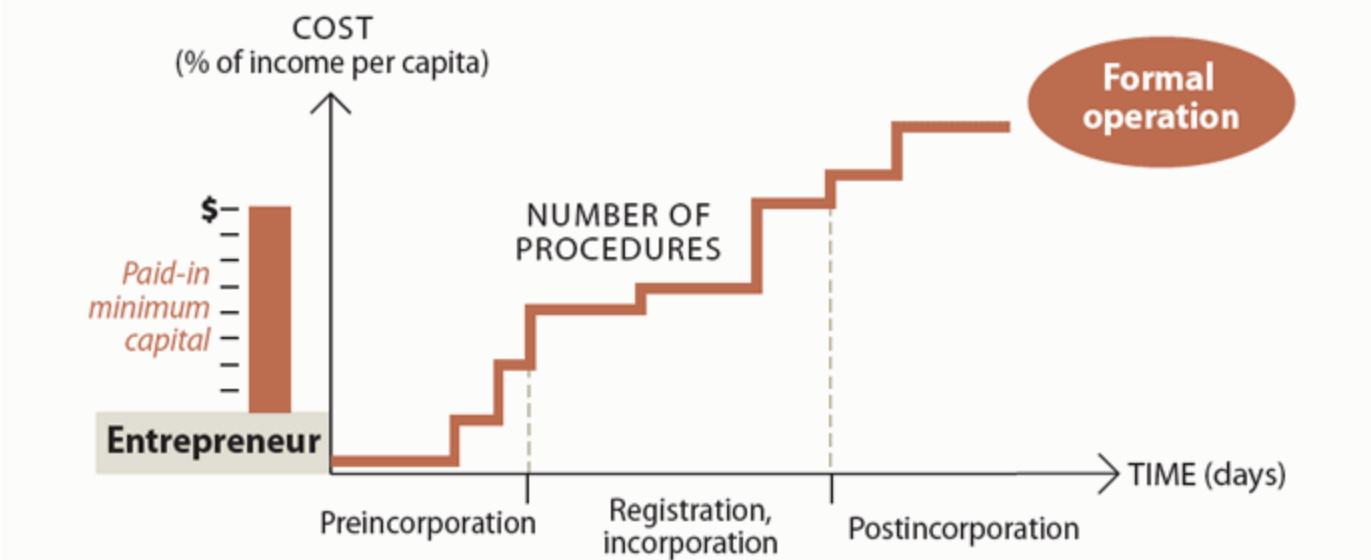
2. Historical data: Starting a Business in Philippines

Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	162	156
Procedures (number)	16	16	16	15
Time (days)	59	53	53	38
Cost (% of income per capita)	32.5	30.4	28.7	29.7
Min. capital (% of income per capita)	6.9	6.0	5.5	6.0

3. The following graphs illustrate the Starting a Business sub indicators in Philippines over the past 4 years:



What are the time, cost, paid-in minimum capital and number of procedures to get a local, limited liability company up and running?



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

STANDARDIZED COMPANY

Legal Form: Corporation

City: Manila

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Verify and reserve the availability of the company name with the Securities and Exchange Commission (SEC)	1	PHP 40
2	Deposit paid-up capital in the Authorized Agent Bank (AAB) and obtain bank certificate of deposit	1	no charge
3	Notarize articles of incorporation and Treasurer's affidavit with notary public	1	PHP 500
4	Register company with the Securities and Exchange Commission	3	PHP 2,665
5	Payment of documentary stamp taxes (DST)	1	PHP 4,170
6	Obtain community tax certificate (CTC) from the City Treasurer's Office (CTO)	1	PHP 500
7	Obtain Barangay clearance	2	PHP 800

8	Obtain mayor's permit to operate at the Licensing Section of the Mayor's Office	1	PHP 11,583
9	Buy special books of account at bookstore	1	PHP 400
10	Register for taxes at the Bureau of Internal Revenue (BIR)	2	PHP 615
11	Obtain the authority to print (ATP) receipt/invoices from the Bureau of Internal Revenue (BIR)	1	no charge
12	Print receipts and invoices at the print shops accredited by the BIR	14	PHP 4,000
13	Have books of accounts and Printer's Certificate of Delivery of Receipts and Invoices (PCD) stamped by the BIR	1	no charge
14	Initial registration with the Social Security System (SSS)	7	no charge
15	Complete registration with SSS and Philippines Health Insurance Company (PhilHealth)	1	no charge

Starting a Business Details - Philippines

Procedure 1	Verify and reserve the availability of the company name with the Securities and Exchange Commission (SEC)
Time to complete:	1
Cost to complete:	PHP 40
Comment:	The availability of the proposed company name can be verified via the SEC's online verification system at no charge. Reservation of the name, once approved by the SEC, costs PHP40/month for the first 30 days. The company name can be reserved for a maximum of 120 days for a fee of PHP 120, which is renewable upon expiration of the period.
Procedure 2	Deposit paid-up capital in the Authorized Agent Bank (AAB) and obtain bank certificate of deposit
Time to complete:	1
Cost to complete:	no charge
Comment:	The company is required by law to deposit paid-up capital amounting to at least 6.25% of the authorized capital stock of the corporation. This paid-up capital must not be less than PHP 5,000. Some banks in Manila charge a fee up to PHP 105 for each certificate of deposit.
Procedure 3	Notarize articles of incorporation and Treasurer's affidavit with notary public
Time to complete:	1
Cost to complete:	PHP 500
Comment:	According to Section 14 and 15 of the Corporation Code, articles of incorporation should be notarized before filing with the SEC.
Procedure 4	Register company with the Securities and Exchange Commission
Time to complete:	3
Cost to complete:	PHP 2,665
Comment:	Comments: The company can register online through SEC i-Register but must pay on site at the SEC. The following documents are required for SEC registration: <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. Bank certificate of deposit of the paid-in capital;f. Authority to verify the bank account;g. Registration data sheet with particulars on directors, officers, stockholders, and so forth;h. Written undertaking to comply with SEC reporting requirements (notarized);i. Written undertaking to change corporate name (notarized).

The SEC Head Office issues pre-registered TINs only if the company's application for registration has been approved. 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.

Procedure 5 Payment of documentary stamp taxes (DST)

Time to complete: 1

Cost to complete: PHP 4,170

Comment: The company must pay DST on the original issuance of shares of stock. The rate is PHP 1 on each PHP 200 or a fractional part thereof, of the par value of such shares of stock. This payment with the BIR should be made on the 5th of the month following registration with the SEC.

Procedure 6 Obtain community tax certificate (CTC) from the City Treasurer's Office (CTO)

Time to complete: 1

Cost to complete: PHP 500

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

Procedure 7 Obtain Barangay clearance

Time to complete: 2

Cost to complete: PHP 800

Comment: This clearance is obtained from the Barangay where the business is located, and is required to obtain the business permit from the city or municipality. Barangay fees vary for each Barangay since they have the discretion to impose their own fees and charges for as long as these fees are reasonable and within the limits set by the Local Government Code and city ordinances. The fee charged by the Barangay depends on the company's paid-up capital and the land area it occupies - a PHP 500 minimum plus PHP 300 for the Barangay clearance plate.

Procedure 8 Obtain mayor's permit to operate at the Licensing Section of the Mayor's Office

Time to complete: 1

Cost to complete: PHP 11,583

Comment: To obtain a business permit, the applicant submits a business transaction form (BTF) which contains vital information to process the application. The BTF is available at the Manila City Business Center (MCBC) located at ground floor of the Manila City Hall. The applicant submits the accomplished BTF to the MCBC Counter 1 together with the following requirements:

- a. Barangay clearance;
- b. SEC Registration;
- c. Public Liability Insurance (for restaurants, parlors, cinemas, malls etc);
- d. Authorization letter of owner with ID;
- e. Lease contract/tax declaration;
- f. SSS certification/clearance; and
- g. Community tax certificate.

The BP personnel encode the information in the BTF and the requirements for the processing and computation of the business permit fee, and the applicant is issued a computer-generated Business Identification Number (BIN) slip. The applicant then proceeds to the License Division of the City

Treasurer's Office for computation and assessment of business tax and regulatory fees. The applicant presents the issued BIN to the licensing officer on duty, who proceeds to compute and generate the License and Regulatory Fees (LRF) form which is given to the applicant. The applicant then proceeds to the cashier and presents the issued LRF form. The cashier receives and records payment of the applicant and validates the LRF form which serves as the official receipt. The applicant then goes back to the BP and presents the validated LRF form. After verifying that payment has been made, BP personnel generate the business permit and secure the approval and signature of the BP Department Head. The business permit is released to the applicant upon approval.

Procedure 9 Buy special books of account at bookstore

Time to complete: 1

Cost to complete: PHP 400

Comment: Special books of accounts are required for registering with the Bureau of Internal Revenue (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.

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. 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.

Procedure 10 Register for taxes at the Bureau of Internal Revenue (BIR)

Time to complete: 2

Cost to complete: PHP 615

Comment: After the taxpayer obtains the TIN, the company must pay the annual registration fee of PHP 500 at any duly accredited bank, using payment form BIR Form 0605). To register the BIR taxpayer must first accomplish BIR Form 1903 and submit the same together with the required attachments to the Revenue District Office having jurisdiction over the registered address of the business establishment. Moreover, the BIR now requires the submission of the Authority to Print Receipts (BIR Form 1906) as an additional requirement for registration. Companies may be assessed various taxes: VAT, a community tax, a local tax, and income tax. When a company registers as a taxpayer, it must indicate in the application the types of taxes it expects to be liable for, including VAT.

Procedure 11 Obtain the authority to print (ATP) receipt/invoices from the Bureau of Internal Revenue (BIR)

Time to complete: 1

Cost to complete: no charge

Comment: The authority to print receipts or invoices must be secured before the sales receipts and invoices may be printed. The company can ask any authorized printing company to print its official forms, or it can print its own forms (i.e., it uses its computers to print loose-leaf invoice forms) after obtaining a permit from the BIR for this purpose. To obtain the ATP from the BIR, the company must submit the following documents to the BIR Revenue District Office (RDO):

- a. Duly completed application for authority to print receipts and invoices (BIR Form No. 1906);
- b. Job order;
- c. Final and clear sample of receipts and invoices (machine-printed);
- d. Application for registration (BIR Form No. 1903); and
- e. Proof of payment of annual registration fee (BIR Form No. 0605).

Procedure 12 Print receipts and invoices at the print shops accredited by the BIR**Time to complete:** 14**Cost to complete:** PHP 4,000**Comment:** The cost is based on the following specifications of the official receipt: 1/2 bond paper (8 1/2 x 5 1/2 cm) in duplicate, black print, carbonless. The minimum print volume is 25 booklets.**Procedure 13 Have books of accounts and Printer's Certificate of Delivery of Receipts and Invoices (PCD) stamped by the BIR****Time to complete:** 1**Cost to complete:** no charge**Comment:** 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:

- 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.

The company must also submit a copy of the PCD to the BIR RDO having jurisdiction over the printer's principal place of business.

Procedure 14 Initial registration with the Social Security System (SSS)**Time to complete:** 7**Cost to complete:** no charge**Comment:** Under the new single registration process, the employer is required to register with the SSS using the business registration form (BR-1). Registration with SSS automatically results in registration with the Philippine Health Insurance Company (PhilHealth), the employer is no longer required to go to PhilHealth for registration.

Based on the employer's BR-1 submission, the SSS encodes the employer details and issues the following: SSS employer number together with the employer's copy of the processed BR-1; SSS information brochure; employer identification card; and list of employer obligations and post-registration requirements.

Procedure 15 Complete registration with SSS and Philippines Health Insurance Company (PhilHealth)**Time to complete:** 1**Cost to complete:** no charge**Comment:** Within thirty (30) days from the issuance of the SSS and PhilHealth employer number, the company submits the following:

To SSS:

- a. Employment report (Form R-1A);
- b. Specimen signature card (Form L-501);
- c. Sketch of business address;

d. Validated miscellaneous payment return form (Form R-6) or special bank receipt showing payment of the employer registration plate, if not paid upon initial registration.

To PhilHealth:

a. Member registration forms for each employee with the required supporting documents.

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

Some reform outcomes

In Burkina Faso, a one-stop shop for construction permits, "Centre de Facilitation des Actes de Construire", was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40%. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002-06.

Toronto, Canada revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk-based approvals with fast-track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.

What does the Dealing with Construction Permits indicator measure?

Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate 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

Case Study Assumptions

The business:

- is a small to medium-size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

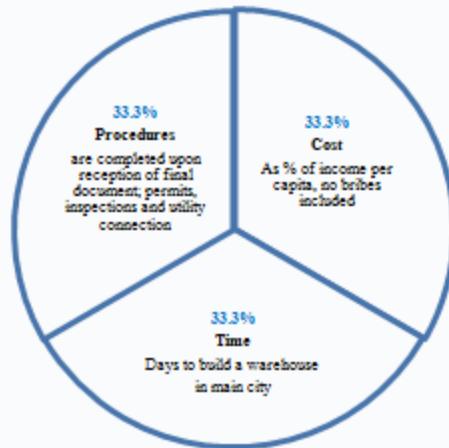
The warehouse:

- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and a land telephone line
- will be used for general storage of non-hazardous goods, such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

Dealing with Construction Permits:

Building a warehouse

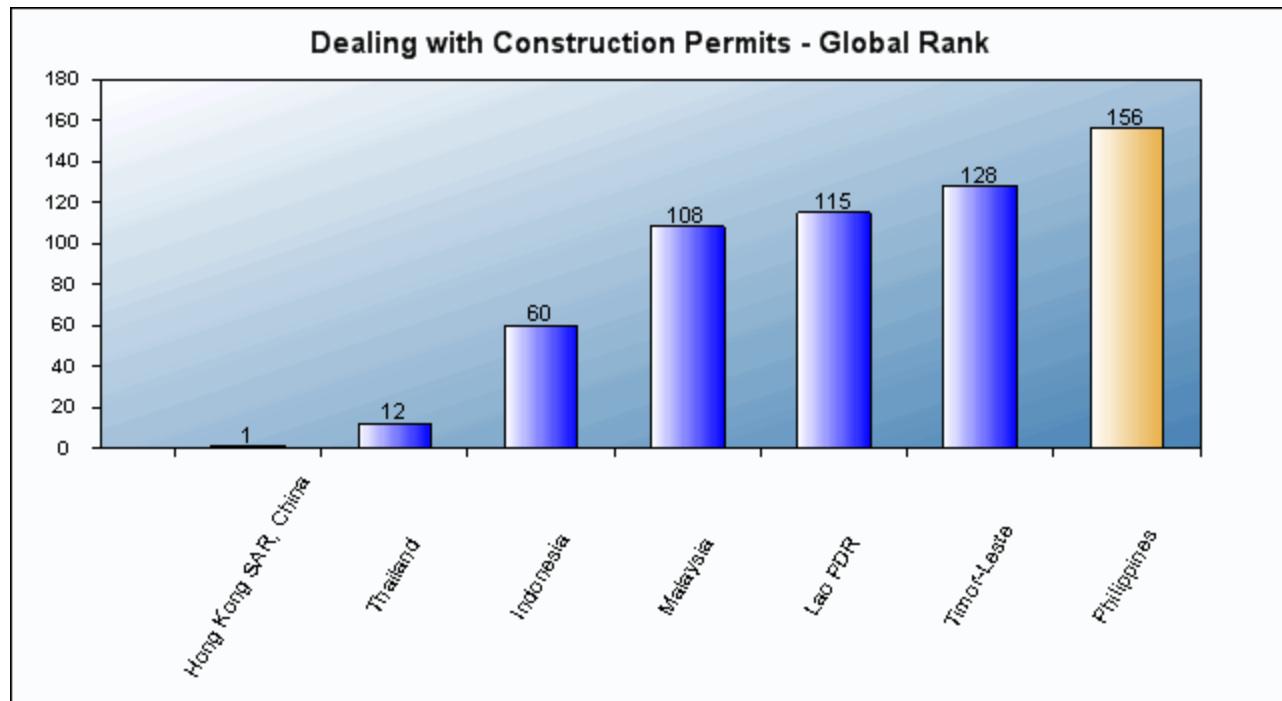
Rankings are based on 3 subindicators



1. Benchmarking Dealing with Construction Permits Regulations:

Philippines is ranked 156 overall for Dealing with Construction Permits.

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



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

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)
Denmark	6		
Qatar			0.8
Singapore		25	

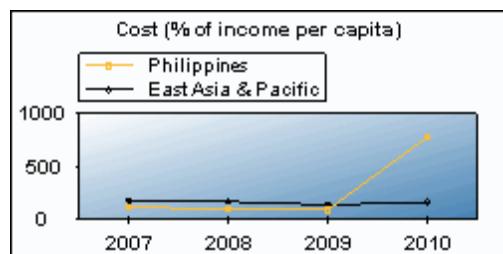
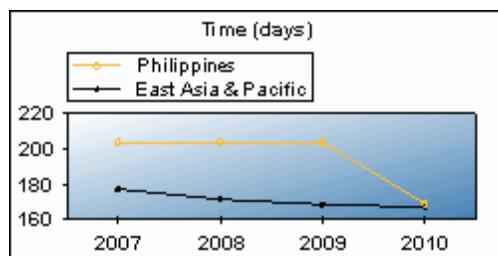
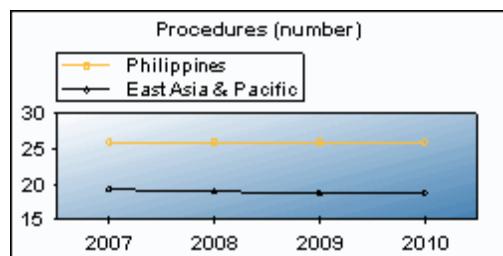
<i>Selected Economy</i>			
Philippines	26	169	778.5

<i>Comparator Economies</i>			
Indonesia	14	160	173.3
Lao PDR	24	172	131.3
Malaysia	25	261	7.9
Thailand	11	156	9.5
Timor-Leste	22	208	138.2

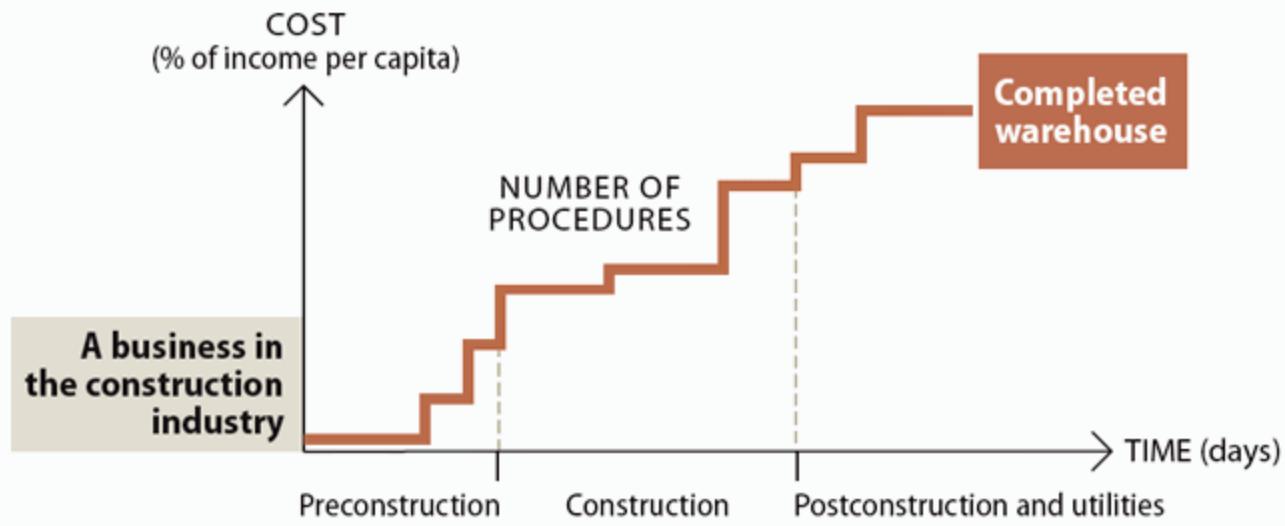
2. Historical data: Dealing with Construction Permits in Philippines

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	124	156
Procedures (number)	26	26	26	26
Time (days)	204	204	204	169
Cost (% of income per capita)	116.3	102.4	92.8	778.5

3. The following graphs illustrate the Dealing with Construction Permits sub indicators in Philippines over the past 4 years:



What are the time, cost and number of procedures to comply with formalities to build a warehouse?



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

BUILDING A WAREHOUSE

City: Manila

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain certified true copy of the land title from the Register of Deeds (RD)	5 days	PHP 57
2 *	Obtain certified true copy of the tax declaration of real property and tax clearance from the City Assessor's Office (CAO)	1 day	PHP 60
3 *	Obtain lot plan with site map	3 days	PHP 1,000
4	Obtain location clearances from Barangay	2 days	PHP 100
5	Obtain location clearances from Mayor	20 days	PHP 8,279
6	Apply for the building permit and ancillary permits at the Office of the Building Official (OBO)	1 day	no charge
7	Obtain fire safety evaluation clearance from the local Fire Marshall at the Bureau of Fire Protection (BFP)	1 day	PHP 19,500

8	Obtain building permit and ancillary permits at the Office of the Building Official (OBO)	63 days	PHP 39,733
9	Notarize building permit	1 day	PHP 200
10	Receive inspection from the OBO during construction	1 day	no charge
11	Apply for the certificate of occupancy and certificate of final electrical inspection (CFEI) at the OBO	1 day	no charge
12	Apply for the fire safety inspection certificate (FSIC) at the BFP	1 day	PHP 4,801
13	Receive final inspection for the FSIC from the BFP	1 day	no charge
14	Obtain the FSIC from the BFP	14 days	no charge
15 *	Receive final inspection for the certificate of occupancy and CFEI from the OBO	1 day	no charge
16 *	Obtain the certificate of occupancy and CFEI from the OBO	10 days	PHP 3,122
17	Request electricity connection from MERALCO	1 day	no charge
18	Receive electricity inspection	1 day	no charge
19	Obtain electricity connection from MERALCO	56 days	PHP 564,490
20 *	Request water and sewage connection from Maynilad Water Services, Inc (Maynilad)	1 day	PHP 6,411
21 *	Receive inspection	1 day	no charge
22 *	Obtain permanent water and sewage connection from Maynilad Water Services, Inc (Maynilad)	30 days	no charge
23 *	Obtain fixed telephone line	5 days	PHP 1,500
24	Apply for the tax declaration of improvement at the CAO	1 day	no charge
25	Receive inspection from the Appraiser of CAO	1 day	no charge
26	Obtain tax declaration of improvement at CAO	1 day	no charge

* Takes place simultaneously with another procedure.

Dealing with Construction Permits Details - Philippines

Procedure 1 Obtain certified true copy of the land title from the Register of Deeds (RD)

Time to complete: 5 days

Cost to complete: PHP 57

Agency: Register of Deeds (RD)

Comment: The certified true copy of the land title serves as proof of ownership of the land on which the warehouse is to be built.

Procedure 2 Obtain certified true copy of the tax declaration of real property and tax clearance from the City Assessor's Office (CAO)

Time to complete: 1 day

Cost to complete: PHP 60

Agency: City Assessor's Office (CAO)

Comment: The certified true copy of the tax declaration of real property enables the company to identify the property by its index number. The tax clearance serves as proof that there are no arrears in the payment of realty taxes.

Procedure 3 Obtain lot plan with site map

Time to complete: 3 days

Cost to complete: PHP 1,000

Agency: Geodetic Engineer

Comment: The company must obtain the lot plan with site map from a geodetic engineer to confirm the location of the land purported to be in the land title. A lot plan with 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.

Procedure 4 Obtain location clearances from Barangay

Time to complete: 2 days

Cost to complete: PHP 100

Agency: Barangay

Comment: 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.

Procedure 5 Obtain location clearances from Mayor

Time to complete: 20 days

Cost to complete: PHP 8,279

Agency:	Mayor - Office of Building Official
Comment:	The locational clearance is required to ensure that the construction conforms to the city's Comprehensive Land Use Plan and zoning ordinances.

The applicant must submit the following requirements:

- (1) Notarized locational clearance application form;
- (2) Barangay clearance;
- (3) Transfer Certificate of Title;
- (4) Latest Real Property Tax Receipt;
- (5) Architectural plan; and
- (6) Other documents required by the city.

Procedure	6	Apply for the building permit and ancillary permits at the Office of the Building Official (OBO)
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Time to complete: 1 day

Cost to complete: no charge

Agency: Office of Building Official

Comment:

Procedure	7	Obtain fire safety evaluation clearance from the local Fire Marshall at the Bureau of Fire Protection (BFP)
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Time to complete: 1 day

Cost to complete: PHP 19,500

Agency: Bureau of Fire Protection (BFP)

Comment: The Fire Safety Evaluation Clearance (FSEC) is a clearance with a fire safety checklist that enumerates the life and fire safety requirements of the Fire Code.

One set of plans and specifications submitted by the applicant to the OBO is referred to the City Fire Marshall, who evaluates the plans to ensure that they conform to the fire safety and control requirements of the Fire Code. The City Fire Marshall must submit his recommendations to the OBO within 5 working days from the date of referral.

While the company is getting approval from the City Fire Marshall, the OBO simultaneously processes the building permit application and checks the building plans and specifications.

Procedure	8	Obtain building permit and ancillary permits at the Office of the Building Official (OBO)
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Time to complete: 63 days

Cost to complete: PHP 39,733

Agency: Office of Building Official

Comment: The company must obtain the building permit along with the electrical, sanitary, and mechanical permits, all issued by the building official who would have approved the design, plans, and technical specifications of the project and ensured that they are

compliant with the design codes, and safety laws and regulations.

To obtain the building permit, the company must submit all required documentation. When submitting the application, BuildCo must ensure (by checking at each desk) that all documents have been included. If not, the application cannot be filed. Otherwise, if the file is complete, obtaining a building permit would take no longer than a week after the submission date. The building official has discretionary power and can delay the application if they liked.

According to the Quezon City Revenue Code, the costs of obtaining a building permit are as follows:

- A nonrefundable filing fee of PHP 600 for projects costing more than PHP 1 million (Section 100).
- A location-with-respect-to-abutment-to-street-specific charge for establishment of line and grade, ranging from nothing to about PHP 115 (Section 101).
- An inspection fee of PHP 200.
- A design-specific fee for excavation for foundation, such as footing, of PHP 2 per cubic meter.
- A construction fee of PHP 18 per square meter f floor area for projects with areas ranging from 20 sq. m. to 6,000 sq. m. (that is, a total construction fee of PHP 23,000 for a 1,300 sq. m. area in this case) (Section 102).

Procedure 9 Notarize building permit

Time to complete: 1 day

Cost to complete: PHP 200

Agency: Notary

Comment: The applications mentioned in the previous procedure should be duly notarized. While submitting the application itself may be free of charge, the notarization could cost about PHP 200, fixed and based on a Supreme Court circular strictly regulating the practice of notaries.

Procedure 10 Receive inspection from the OBO during construction

Time to complete: 1 day

Cost to complete: no charge

Agency: Office of Building Official

Comment:

Procedure 11 Apply for the certificate of occupancy and certificate of final electrical inspection (CFEI) at the OBO

Time to complete: 1 day

Cost to complete: no charge

Agency: Office of Building Official

Comment:

Procedure 12 Apply for the fire safety inspection certificate (FSIC) at the BFP**Time to complete:** 1 day**Cost to complete:** PHP 4,801**Agency:** Bureau of Fire Protection (BFP)**Comment:** Once construction has been completed, the company 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.**Procedure 13 Receive final inspection for the FSIC from the BFP****Time to complete:** 1 day**Cost to complete:** no charge**Agency:** Bureau of Fire Protection (BFP)**Comment:****Procedure 14 Obtain the FSIC from the BFP****Time to complete:** 14 days**Cost to complete:** no charge**Agency:** Office of Building Official**Comment:****Procedure 15 Receive final inspection for the certificate of occupancy and CFEI from the OBO****Time to complete:** 1 day**Cost to complete:** no charge**Agency:** Office of Building Official**Comment:** The OBO conducts a final inspection to check the building based on the Certificate of Completion, construction logbook, building inspection sheets, original and as-built plans and specifications.**Procedure 16 Obtain the certificate of occupancy and CFEI from the OBO****Time to complete:** 10 days**Cost to complete:** PHP 3,122**Agency:** Office of Building Official**Comment:** 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.

Procedure 17 Request electricity connection from MERALCO**Time to complete:** 1 day**Cost to complete:** no charge**Agency:** Manila Electric Railroad and Light Company (MERALCO)**Comment:** Upon application for electricity with Manila Electric Railroad and Light Company or MERALCO, the electrical engineer of MERALCO will conduct inspection and review the electrical plans of the proposed warehouse. Application to actual inspection would take 2 weeks with no cost. The cost reflected above is only the installation cost and service deposit. This amount, however, is refunded upon termination of contract.

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

Procedure 18 Receive electricity inspection**Time to complete:** 1 day**Cost to complete:** no charge**Agency:** Manila Electric Railroad and Light Company (MERALCO)**Comment:****Procedure 19 Obtain electricity connection from MERALCO****Time to complete:** 56 days**Cost to complete:** PHP 564,490**Agency:** Manila Electric Railroad and Light Company (MERALCO)**Comment:** The electric company is Manila Electric Company (Meralco). The company visits Meralco to request the connection and submit the certificate of electrical inspection and electrical plans. Meralco conducts an inspection of the warehouse and in the following weeks the technical staff visit the site for the electricity connection. The cost of the transformers is PHP 106,850 per transformer (two needed). The service deposit is PHP 138,580. Both the transformer and service deposit are refundable after the first year through annual deductions to the electricity bill or through checks computed at 25% of the applicant's annual gross distribution revenue.**Procedure 20 Request water and sewage connection from Maynilad Water Services, Inc (Maynilad)****Time to complete:** 1 day**Cost to complete:** PHP 6,411**Agency:** Manila Water Company**Comment:** The electricity company installs permanent power (meter included) upon submission by BuildCo of the certificate of occupancy.

Procedure 21 Receive inspection

Time to complete: 1 day

Cost to complete: no charge

Agency: Manila Water Company

Comment:

Procedure 22 Obtain permanent water and sewage connection from Maynilad Water Services, Inc (Maynilad)

Time to complete: 30 days

Cost to complete: no charge

Agency: Manila Water Company

Comment: The water company installs a permanent water connection (meter included) upon submission by BuildCo of the certificate of occupancy.

Procedure 23 Obtain fixed telephone line

Time to complete: 5 days

Cost to complete: PHP 1,500

Agency: Philippine Long Distance Telephone (PLDT)

Comment: Utility companies install a permanent telephone connection upon submission of the certificate of occupancy.

Procedure 24 Apply for the tax declaration of improvement at the CAO

Time to complete: 1 day

Cost to complete: no charge

Agency: City Assessor's Office (CAO)

Comment: The company 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. The company must submit the floor plan and as-built plan to the CAO.

Procedure 25 Receive inspection from the Appraiser of CAO

Time to complete: 1 day

Cost to complete: no charge

Agency: City Assessor's Office (CAO)

Comment:

Procedure 26 Obtain tax declaration of improvement at CAO

Time to complete: 1 day

Cost to complete: no charge

Agency: City Assessor's Office (CAO)

Comment: The tax declaration of improvement is released after an appraiser inspects the property, which can be done on the following day or sometimes even on the same day.

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. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

Some reform outcomes

Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003. Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.

What does the Registering Property indicator 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 city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior personal 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

Case Study Assumptions

The parties (buyer and seller):

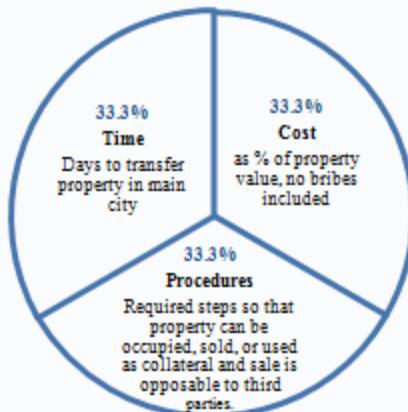
- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of a 557.4 square meters (6,000 square feet) land and 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

Registering Property: transfer of property between 2 local companies

Rankings are based on 3 subindicators



1. Benchmarking Registering Property Regulations:

Philippines is ranked 102 overall for Registering Property.

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



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

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

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

<i>Comparator Economies</i>			
Indonesia	6	22	10.9
Lao PDR	9	135	4.1
Malaysia	5	56	2.5
Thailand	2	2	4.3
Timor-Leste	no practice	no practice	no practice

* The following economies are also good practice economies for :

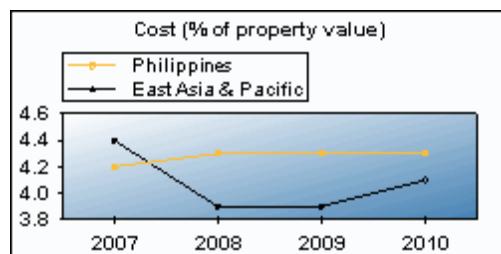
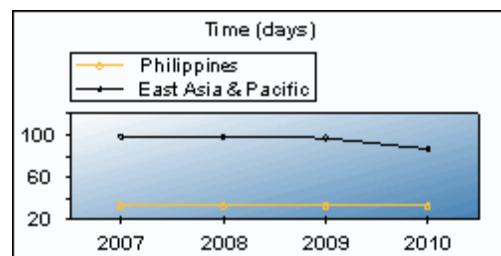
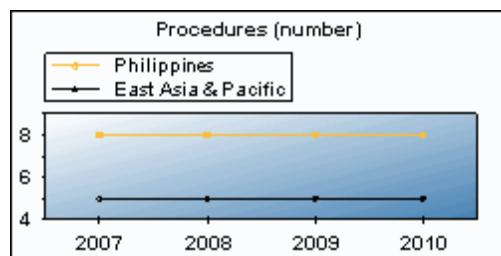
Procedures (number): United Arab Emirates

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

2. Historical data: Registering Property in Philippines

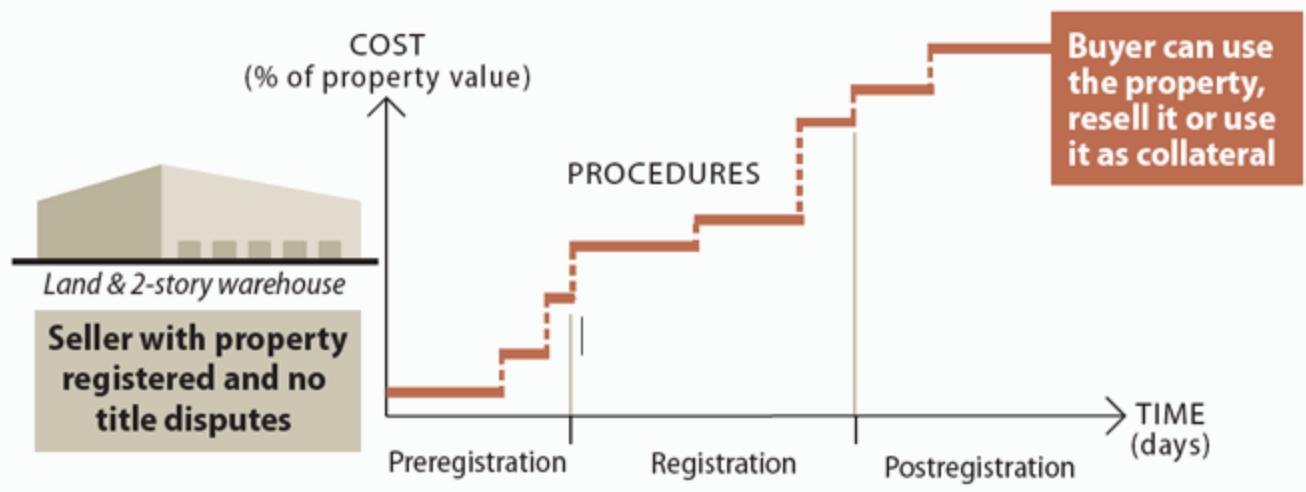
Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	102	102
Procedures (number)	8	8	8	8
Time (days)	33	33	33	33
Cost (% of property value)	4.2	4.3	4.3	4.3

3. The following graphs illustrate the Registering Property sub indicators in Philippines over the past 4 years:



Registering Property in Philippines

What are the time, cost and number of procedures required to transfer a property between 2 local companies?



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

STANDARDIZED PROPERTY

Property Value: 4,169,968.68

City: Manila

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Prepare the notarized deed of sale and related documents	1 day	1.5% property value, including PHP 100 for notarization alone
2	Obtain certified true copy of latest tax declaration and certificate of "with improvement" from the City Assessor's Office (CAO)	1 day	PHP 100
3	Pay documentary stamp tax and creditable withholding tax (CWT) at an authorized agent bank (AAB)	1 day	1.5% of property value (Documentary Stamp Tax)
4	Obtain Certificate Authorizing Registration (CAR) from the Bureau of Internal Revenue (BIR)	Up to 14 days	PHP 115
5	Obtain tax clearance certificate of real property taxes from the Land Tax Division of the City Treasurer's Office (CTO)	1-3 days	PHP 75
6	Pay the transfer tax at the CTO	1 day	0.75% of property price (transfer tax) + PHP 125 (certificate of payment)

7	Obtain new tax declaration over the building and the land in the name of buyer from CAO	3 days	no cost
8	Apply for registration with the Register of Deeds of Manila	About 10 days	PHP 8,796 for properties with a value up to PHP 1,700,000 + PHP 90 for every PHP 20,000 (or fraction thereof) in excess of PHP 1,700,000 + PHP 30.00 (Registry Entry Fee) + PHP 60.00 (transfer certificate of title) + PHP240 for submission of secretary's certificates of the buyer and seller + PHP240 for submission of the articles of incorporation and by-laws of the buyer only + PHP177 legal research fee

Registering Property Details - Philippines

Procedure	1	Prepare the notarized deed of sale and related documents
Time to complete:	1 day	
Cost to complete:	1.5% property value, including PHP 100 for notarization alone	
Comment:	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.
Procedure	2	Obtain certified true copy of latest tax declaration and certificate of "with improvement" from the City Assessor's Office (CAO)
Time to complete:	1 day	
Cost to complete:	PHP 100	
Agency:	Assessor's Office	
Comment:	The seller obtains a certified true copy of the latest tax declaration from the Assessor's Office of Manila.	
Procedure	3	Pay documentary stamp tax and creditable withholding tax (CWT) at an authorized agent bank (AAB)
Time to complete:	1 day	
Cost to complete:	1.5% of property value (Documentary Stamp Tax)	
Agency:	Bank	
Comment:	The seller files the Documentary Stamp Tax return and Capital Gains Tax return with the authorized agent bank in the Revenue District of Manila. This is done within 5 days after the close of the month when the taxable document was signed or within 30 days after the sale, whichever is earlier. The taxes are paid at the authorized bank to the account of the Bureau of Internal Revenue. The Capital Gains Tax is 6% of capital gains based on selling price, fair market value or zonal value, whichever is higher. 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.	
		The documentation shall include: Original copy and photocopy of notarized deed of sale of building (obtained in Procedure 1) Certified true copy of transfer certificate of title (in the name of seller) Certified true copy of latest tax declaration (in the name of seller) (obtained in Procedure 2) Photocopy of the latest realty tax receipt

Letter-request
Identification card of the person requesting

Prior to payment, applicant accomplishes BIR forms 2000-OT and 1606 for DST and CWT respectively, based on the ONETT computation sheets prepared by the BIR ONETT team. The applicant files the DST return and CWT return and pays the taxes at the AAB of the Revenue District Office. Payment must be made through either a manager's check or cashier's check within 5 days after the close of the month when the taxable document was signed or within 30 days from the sale, whichever is earlier.

Upon receipt of proof of tax payment from the taxpayer/applicant, the BIR immediately issues a claim slip.

Procedure 4 Obtain Certificate Authorizing Registration (CAR) from the Bureau of Internal Revenue (BIR)

Time to complete: Up to 14 days

Cost to complete: PHP 115

Agency: Bureau of Internal Revenue (BIR)

Comment: 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

Procedure 5 Obtain tax clearance certificate of real property taxes from the Land Tax Division of the City Treasurer's Office (CTO)

Time to complete: 1-3 days

Cost to complete: PHP 75

Agency: Land Tax Division of the City Treasurer's Office

Comment: The seller, after paying any arrears, obtains a tax clearance certificate from the CTO. The documentation shall include an original of the official receipt evidencing payment by seller of realty taxes.

Procedure	6	Pay the transfer tax at the CTO
Time to complete:	1 day	
Cost to complete:	0.75% of property price (transfer tax) + PHP 125 (certificate of payment)	
Agency:	Land Tax Division of the City Treasurer's Office	
Comment:	<p>The transfer tax must be paid at the CTO.</p> <p>The documentation shall include:</p> <ul style="list-style-type: none"> a. Certificate Authorizing Registration from the Bureau of Internal Revenue (obtained in Procedure 4); b. Tax clearance certificate from the Treasurer's Office of Manila (obtained in Procedure 5); c. Official receipt of the Bureau of Internal Revenue (for documentary stamp tax) (obtained in Procedure 4). 	
Procedure	7	Obtain new tax declaration over the building and the land in the name of buyer from CAO
Time to complete:	3 days	
Cost to complete:	no cost	
Agency:	Assessor's Office - City Government	
Comment:	<p>The buyer applies with the Assessor's Office of Manila for the issuance of a new tax declaration over the building in his name.</p> <p>The documentation shall include:</p> <ul style="list-style-type: none"> Photocopy of notarized deed of sale of building (obtained in Procedure 1) Certified true copy of latest tax declaration (in the name of seller) (obtained in Procedure 2) Certificate authorizing registration from the Bureau of Internal Revenue (obtained in Procedure 4) Realty tax clearance from the Treasurer's Office of Manila (obtained in Procedure 5) Photocopy of official receipt of transfer tax payment (original copy to be presented) (obtained in Procedure 6) 	
Procedure	8	Apply for registration with the Register of Deeds of Manila
Time to complete:	About 10 days	
Cost to complete:	PHP 8,796 for properties with a value up to PHP 1,700,000 + PHP 90 for every PHP 20,000 (or fraction thereof) in excess of PHP 1,700,000 + PHP 30.00 (Registry Entry Fee) + PHP 60.00 (transfer certificate of title) + PHP240 for submission of secretary's certificates of the buyer and seller + PHP240 for submission of the articles of incorporation and by-laws of the buyer only + PHP177 legal research fee	
Agency:	Register of Deeds	
Comment:	<p>The buyer applies for registration with the Register of Deeds of Manila.</p> <p>The documentation shall include:</p> <ul style="list-style-type: none"> a. Deed of sale b. The Entry clerk receives and enters all documents in the primary Entry Book (Judicial form No. 39) and notes therein the day, hour and minute of reception of all instrument in the order in which they are received. c. Documents are then brought to the Registrar of Deeds (RD) or Deputy Register of Deeds 	

for assignment.

- d. Documents/Titles are assigned by the RD to the Land Registration Examiner (LRE) who prepares computation and order of payment of registration fees.
- e. Pay registration fee to the cashier, who shall issue official receipt. Fixed fees are computed based on a schedule of Fees approved by the Department of Justice.
- f. Upon the payment of the fees, the document is forwarded to the LRE who reviews the same and determines whether or not it is ready to register. The owner's copy of the title is compared to the title on file, produced by Records Officer/Vault keeper.
- g. If the instrument is not ready to be registered, the LRE recommends its denial to the RD. If the instrument is ready, the LRE likewise recommends to the RD the registration of the document through a routing slip.
- h. RD reviews examination, and once same is approved, assigns documents to clerk for action, with instruction on the route slip.
- i. If the transaction involves issuance of title, Records Officer/Judicial Form Custodian records the transaction in the logbook releases sets of title forms (judicial form) and assigns the corresponding title control number to the set of titles issued to the action clerk.
- j. Assigned employee acts on the documents, as instructed.
- k. Final registration – RD signs titles and documents.
- l. Release of documents – by the releasing clerk to the buyer who should be ready with ID and copies of official receipts of the registration fees.

Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the 'information asymmetry' in lending and enable lenders to view a borrower's financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor's rights has been associated with higher ratios of private sector credit to GDP.

Some reform outcomes

After Vietnam's new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).

In 2008, when Zambia established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.

What do the Getting Credit indicators measure?

Strength of legal rights index (0–10)

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–6)

- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

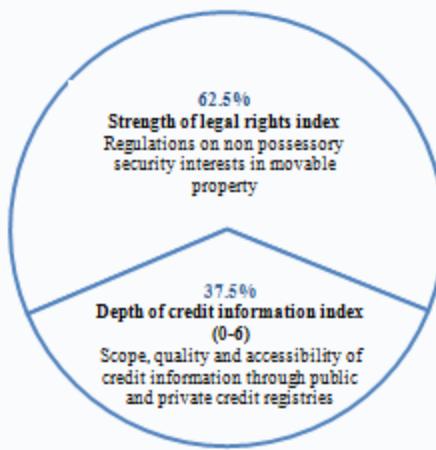
Public credit registry coverage (% of adults)

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

Private credit bureau coverage (% of adults)

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

Getting Credit: collateral rules and credit information



Note: Private bureau coverage and public credit registry coverage are measured but do not count for the rankings.

Case Study Assumptions (applying to the Legal Rights Index only)

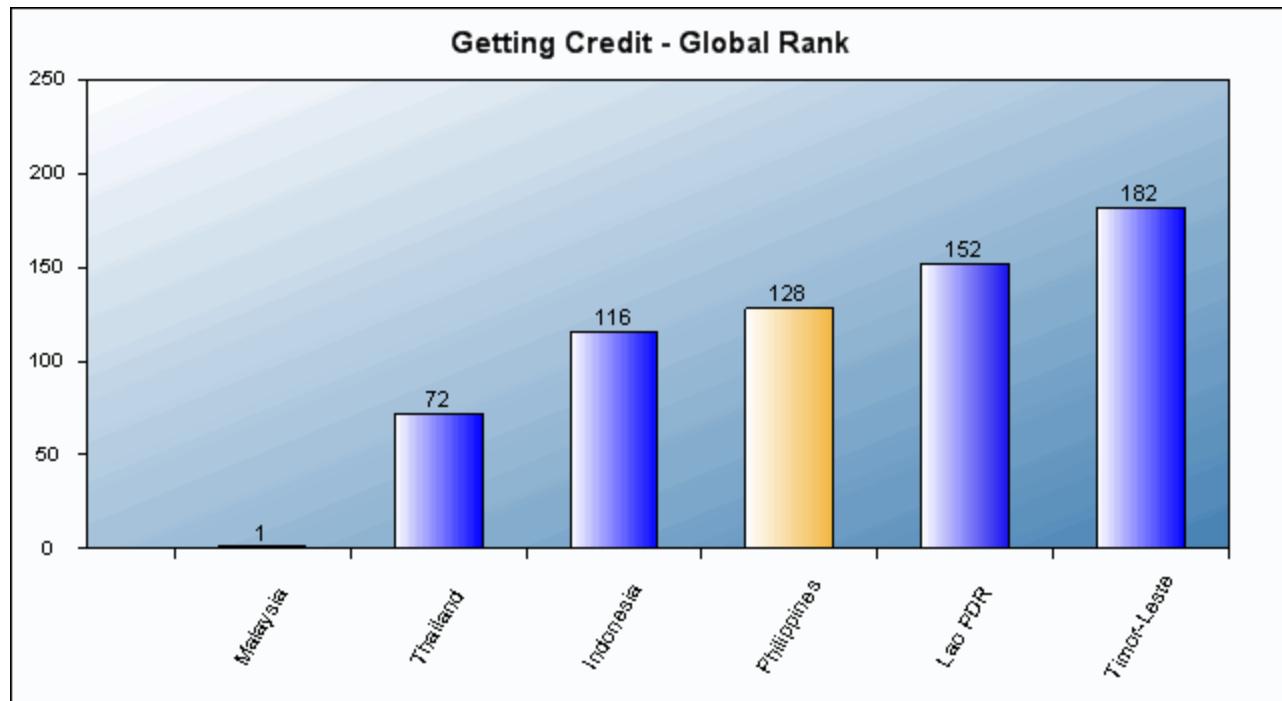
The Debtor

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

1. Benchmarking Getting Credit Regulations:

Philippines is ranked 128 overall for Getting Credit.

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



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

Good Practice Economies	Strength of legal rights index (0-10)	Depth of credit information index (0-6)	Public registry coverage (% of adults)	Private bureau coverage (% of adults)
New Zealand*				100.0
Portugal			67.1	
Singapore*	10			
United Kingdom		6		

<i>Selected Economy</i>				
Philippines	3	3	0.0	7.4

<i>Comparator Economies</i>				
Indonesia	3	4	25.2	0.0
Lao PDR	4	0	0.0	0.0
Malaysia	10	6	62.0	100.0
Thailand	4	5	0.0	35.7
Timor-Leste	1	0	0.0	0.0

* The following economies are also good practice economies for :

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

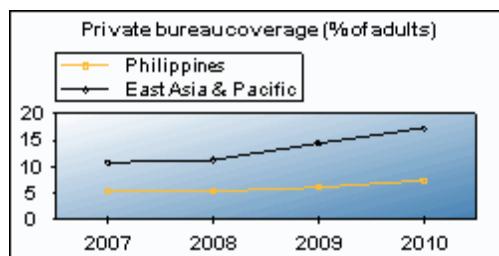
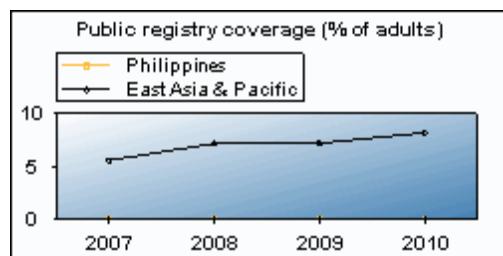
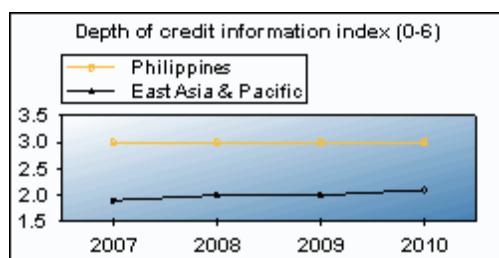
Private bureau coverage (% of adults): [Argentina](#), [Australia](#), [Canada](#), [Iceland](#), [Ireland](#), [Norway](#), [Sweden](#), [United Kingdom](#), [United States](#)

27 countries have the highest credit information index.

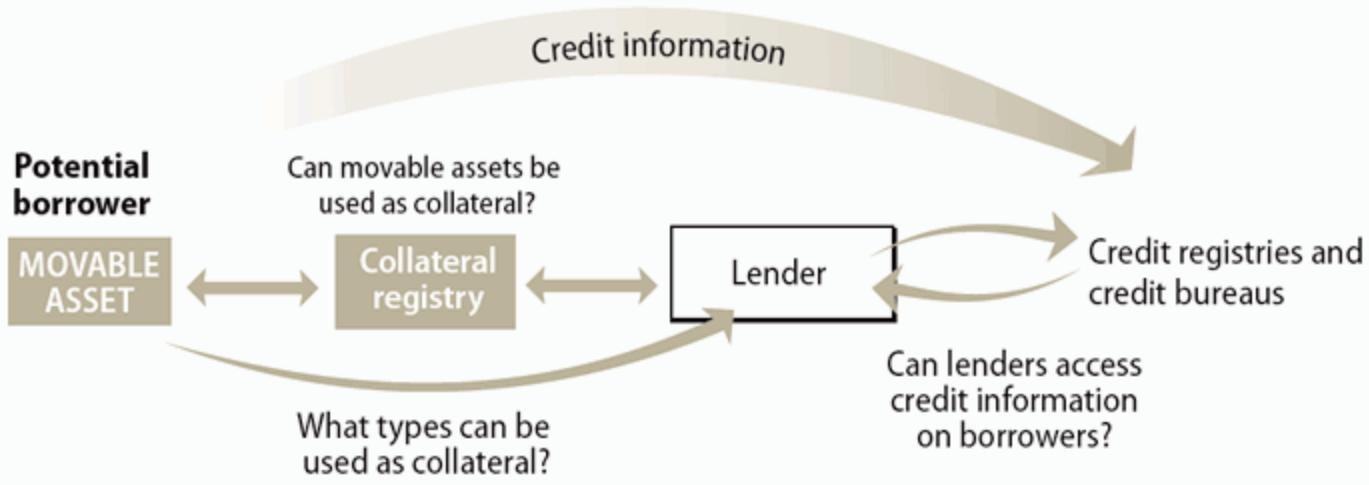
2. Historical data: Getting Credit in Philippines

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	125	128
Strength of legal rights index (0-10)	3	3	3	3
Depth of credit information index (0-6)	3	3	3	3
Private bureau coverage (% of adults)	5.5	5.4	6.1	7.4
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0

3. The following graphs illustrate the Getting Credit sub indicators in Philippines over the past 4 years:



Do lenders have credit information on entrepreneurs seeking credit? Is the law favorable to borrowers and lenders using movable assets as collateral?



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

Getting Credit Indicators (2010)	Indicator		
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	3
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative data distributed?	No	No	0
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	Yes	No	1
Is data on all loans below 1% of income per capita distributed?	Yes	No	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	No	0
Coverage	7.4	0.0	
Number of individuals	236,718	0	
Number of firms	4,497,640	0	

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?	Yes
Does the law allow businesses to grant a non possessory security right in a single category of 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, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?	No
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?	No
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?	Yes
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?	No
During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?	No
Does the law authorize parties to agree on out of court enforcement?	Yes

Stronger investor protections matter for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. This is all the more crucial in times of financial crisis when entrepreneurs must navigate through defiant environments to finance their activities. Using 3 indices of investor protection, *Doing Business* measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gains. Since 2005, 51 economies have strengthened investor protections as measured by *Doing Business*.

Some reform outcomes

In Indonesia, an economy that consistently improved its laws regulating investor protections, the number of firms listed on the Indonesia Stock Exchange increased from 331 to 396 between 2004 and 2009. Meanwhile, market capitalization grew from 680 trillion rupiah (\$75 billion) to 1,077 trillion rupiah (\$119 billion).

After Thailand amended its laws in 2006 and 2008, more than 85 transactions that failed to comply with the disclosure standards were suspended. Thirteen were deemed prejudicial and were therefore canceled, thus preventing damage to the companies involved and preserving their value. Companies were not deterred either, as more than 30 new companies joined the stock exchange since 2005 bringing the number of listed companies to 523.

What do the Protecting Investors indicators measure?

Extent of disclosure index (0–10)

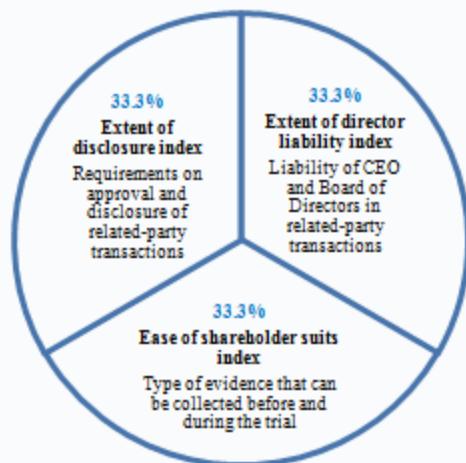
- Who can approve related-party transactions
- Requirements for external and internal disclosure in case of related-party transactions

Protecting Investors: minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators

Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively



Ease of shareholder suits index (0–10)

- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

Case Study Assumptions

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.

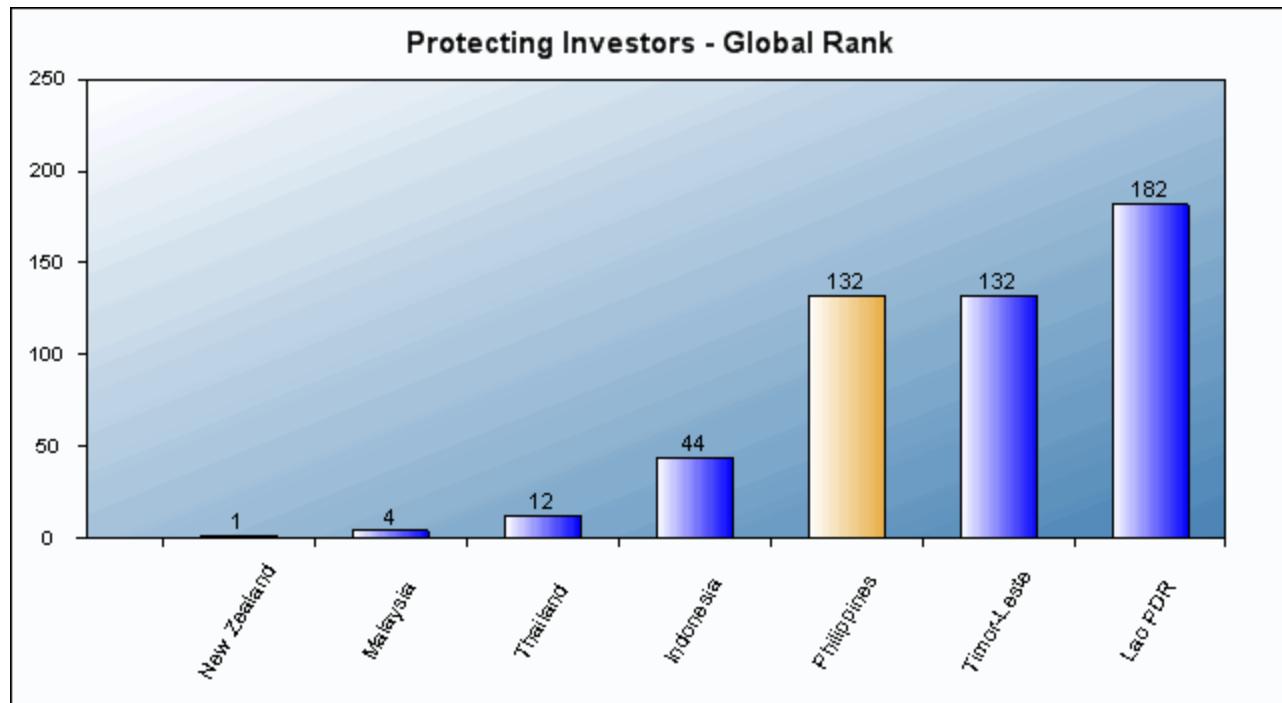
The transaction

- 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 the purchasing company.
- Shareholders sue the interested parties and the members of the board of directors.

1. Benchmarking Protecting Investors Regulations:

Philippines is ranked 132 overall for Protecting Investors.

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



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

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

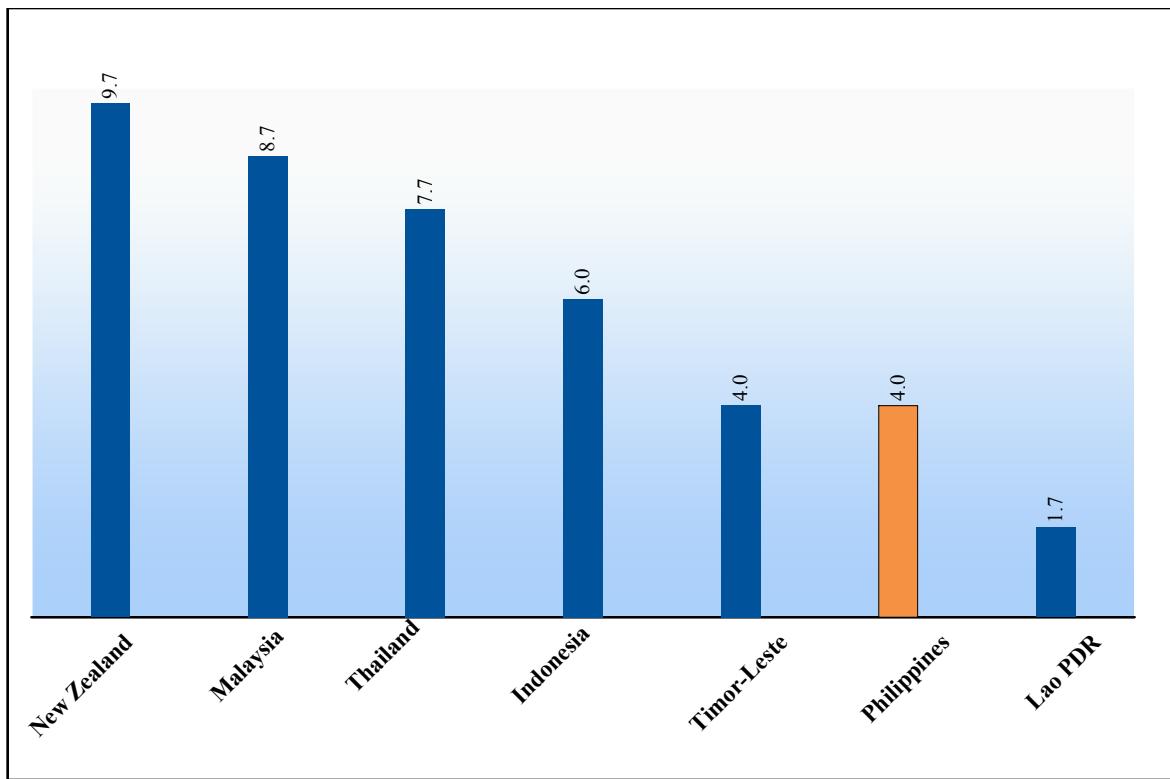
<i>Selected Economy</i>	
Philippines	4.0

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

2. Historical data: Protecting Investors in Philippines

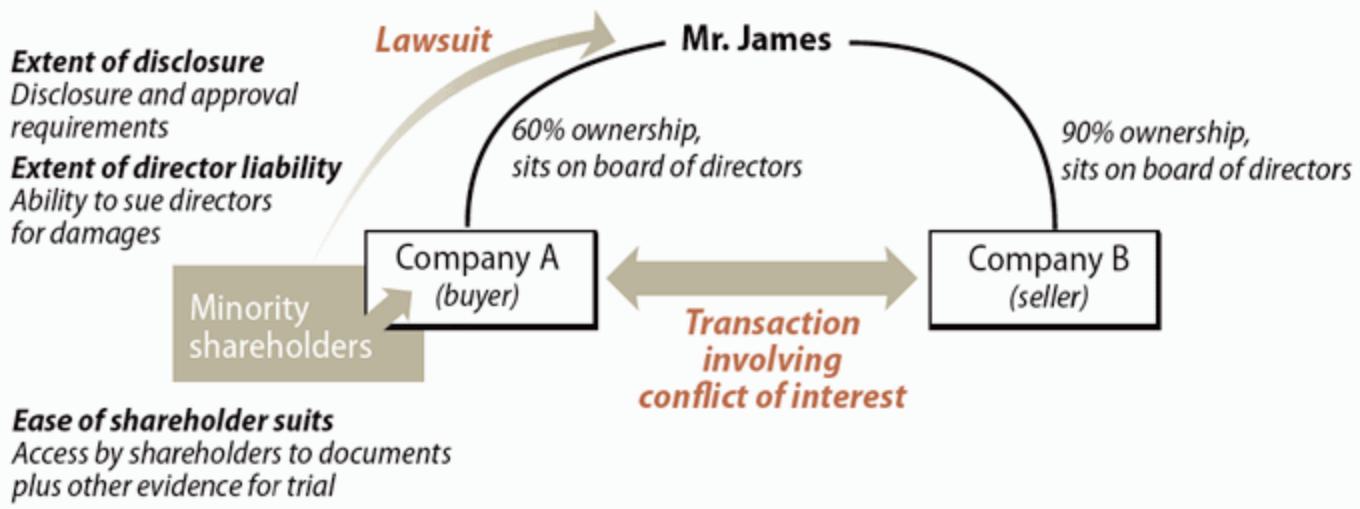
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	131	132
Strength of investor protection index (0-10)	4.0	4.0	4.0	4.0

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



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

How well are minority shareholders protected against self-dealing in related-party transactions?



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

Protecting Investors Data (2010)	Indicator
Extent of disclosure index (0-10)	2
What corporate body provides legally sufficient approval for the transaction?	0
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	1
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	1
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	0
Whether an external body must review the terms of the transaction before it takes place?	0
Extent of director liability index (0-10)	2
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	0
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	0
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	1

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0
Whether fines and imprisonment can be applied against Mr. James?	0
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
Ease of shareholder suits index (0-10)	8
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	3
Whether the plaintiff can directly question the defendant and witnesses during trial?	2
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	1
Whether the level of proof required for civil suits is lower than that of criminal cases?	1
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	1
Strength of investor protection index (0-10)	4.0

Taxes are essential to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity. More than 60% of economies have reformed in the last 6 years and are starting to see concrete results.

Some reform outcomes

Colombia introduced a new electronic system for social security and labor taxes in 2006 and by 2008 the social security contributions collected from small and medium-size companies rose by 42%, to 550 billion pesos.

Mauritius reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry-specific allowances in 2006 and saw their corporate income tax revenue grow by 27% in the following year, and in 2008/09 it increased by 65%.

What do the Paying taxes indicators measure?

Tax payments for a manufacturing company in 2009
(number per year adjusted for electronic or 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)

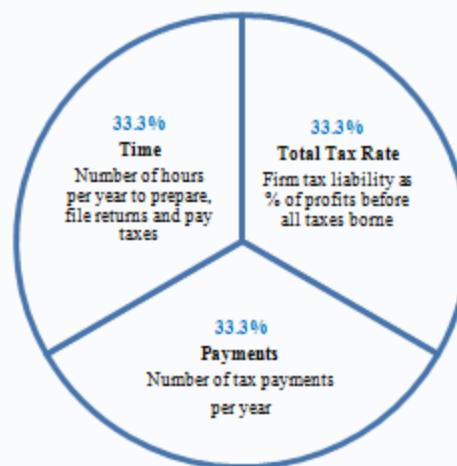
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

Total tax rate (% of profit)

- Profit or corporate income tax
- Mandatory 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

Paying Taxes: tax compliance for a local manufacturing company

Rankings are based on 3 subindicators



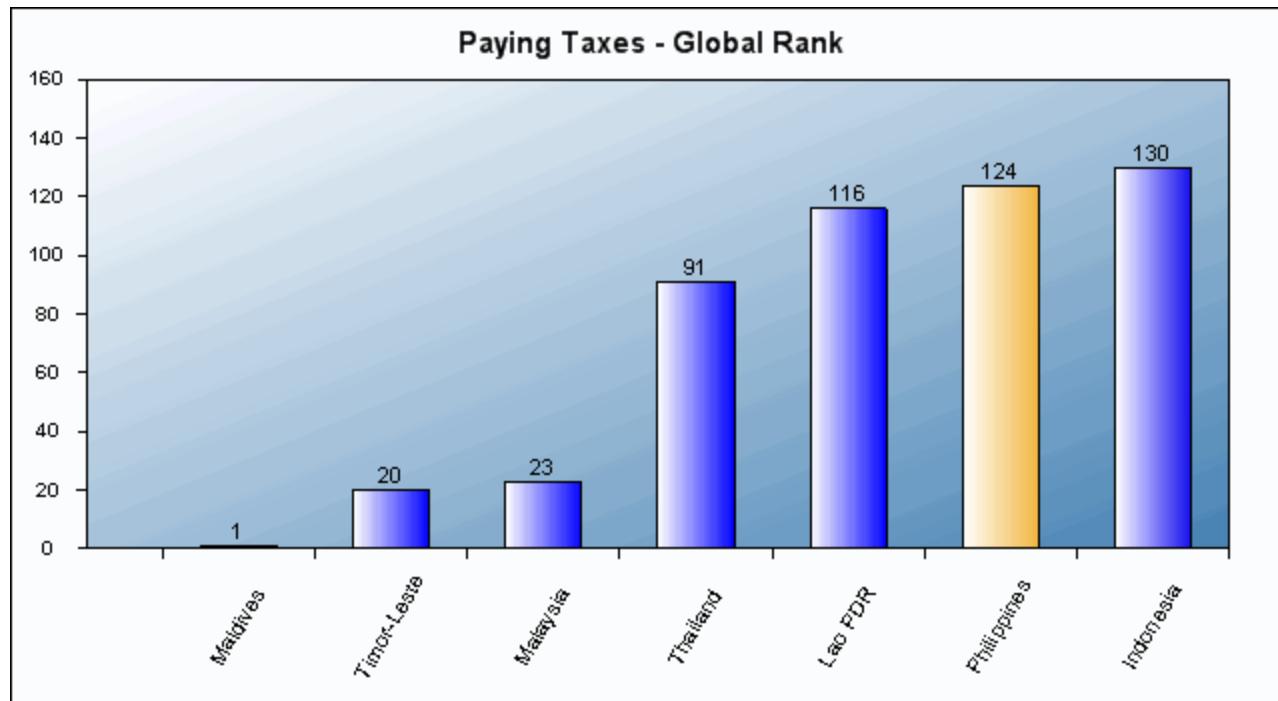
Case Study Assumptions

- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its financial statements, as well as a standard list of transactions that the company completed during the year.
- Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

1. Benchmarking Paying Taxes Regulations:

Philippines is ranked 124 overall for Paying Taxes.

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



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

Good Practice Economies	Payments (number per year)	Time (hours per year)	Total tax rate (% profit)
Maldives*	3	0	
Timor-Leste			0.2

<i>Selected Economy</i>			
Philippines	47	195	45.8

<i>Comparator Economies</i>			
Indonesia	51	266	37.3
Lao PDR	34	362	33.7
Malaysia	12	145	33.7
Thailand	23	264	37.4
Timor-Leste	6	276	0.2

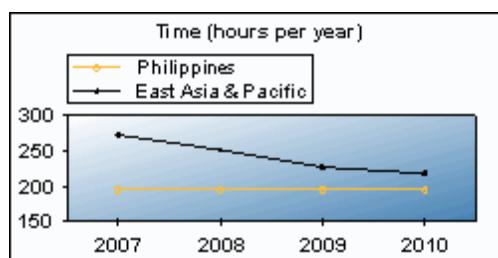
* The following economies are also good practice economies for :

Payments (number per year): Qatar

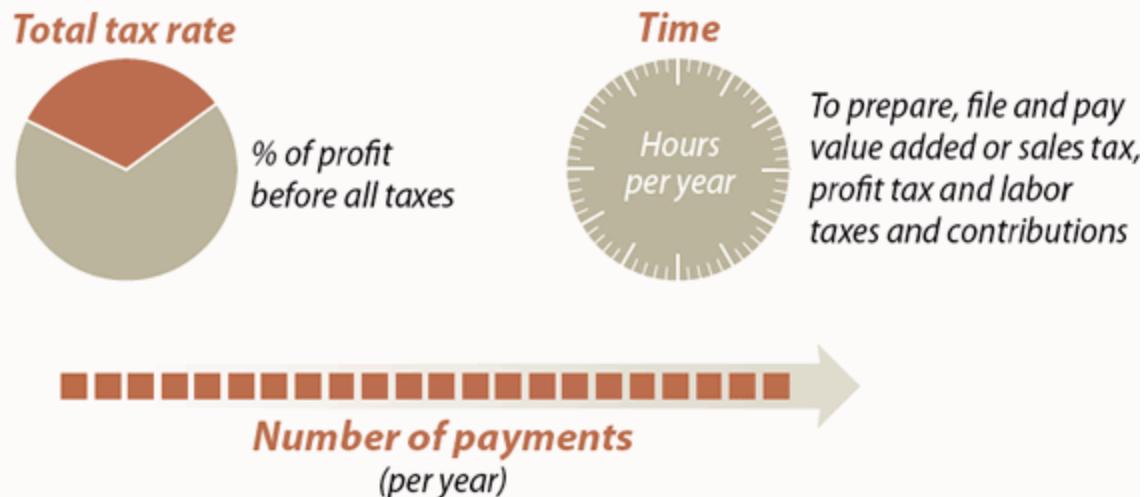
2. Historical data: Paying Taxes in Philippines

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	133	124
Total tax rate (% profit)	51.3	49.4	49.4	45.8
Payments (number per year)	47	47	47	47
Time (hours per year)	195	195	195	195

3. The following graphs illustrate the Paying Taxes sub indicators in Philippines over the past 4 years:



What are the time, total tax rate and number of payments necessary for a local medium-sized company to pay all taxes?



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

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Tax on insurance contracts	1			P 0.5 per each P 4	insurance premium		
Stamp duty	1			various rates	contract value		
Value added tax (VAT)	1	online filing	120	12.0%	value added		
BIR certificate	0	paid jointly		fixed fee (P 500)		0.00	
Tax on check transactions	1			P 1.5 per check	number of checks	0.00	
vehicle tax	1			basic fee + 24%	vehicle weight	0.10	
Environmental tax	1			P10,000		0.20	
Employer's compensation	0	paid jointly		10P per month	per employee	0.20	
community tax certificate	1			fixed fee (P 10,500)		0.30	
Tax on interest	1			20.0%	interest	0.50	

Health insurance	12		1.12% -1.25%	gross salaries	1.70	
Housing development fund	12		2% or P100 per worker	gross salaries	1.70	
Real property tax	1		2.0%	assessed property value	4.20	
Social security contributions	12	38	7.02% to 7.45%	gross salaries	6.60	
Local business tax	1		0.5%	previous year turnover	8.80	
Corporate income tax	1	online filing	37	30.0%	taxable profit	21.30
Totals	47		195		45.8	

Making trade between countries easier is increasingly important for business in today's globalized world. 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. Trade facilitation tools such as electronic data interchange systems, risk-based inspections, and single windows help improve an economy's trading environment and boost firms' international competitiveness. *Doing Business* trade indicators take into account documents, cost and time associated with every procedure for trading a standard shipment of goods by ocean transport. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading costs than from a similar decrease of the tariffs applied to their products in global markets.

Some reform outcomes

In Georgia, reducing customs clearance time by a day has led to operational savings of an estimated \$288 per truck, or an annual \$133 million for the country's whole trading community given the growing amount of cross-border trade in recent years.

In Korea, predictable cargo processing times and rapid turnover by ports and warehouses provide a benefit to the Korean economy of some \$2 billion annually.

What do the Trading Across Borders indicators measure?

Trading Across Borders: exporting and importing by ocean transport

Rankings are based on 3 subindicators

Documents required to export and import (number)

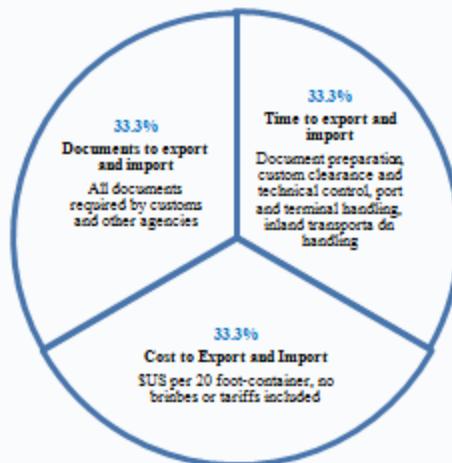
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean 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



Case Study Assumptions

The Business

- Has at least 60 employees and is located in the economy's largest business city
- Is a private, limited liability company, which exports more than 10% of its sales. It is fully domestically owned and does not operate in an export processing zone or an industrial estate with special export or import privileges

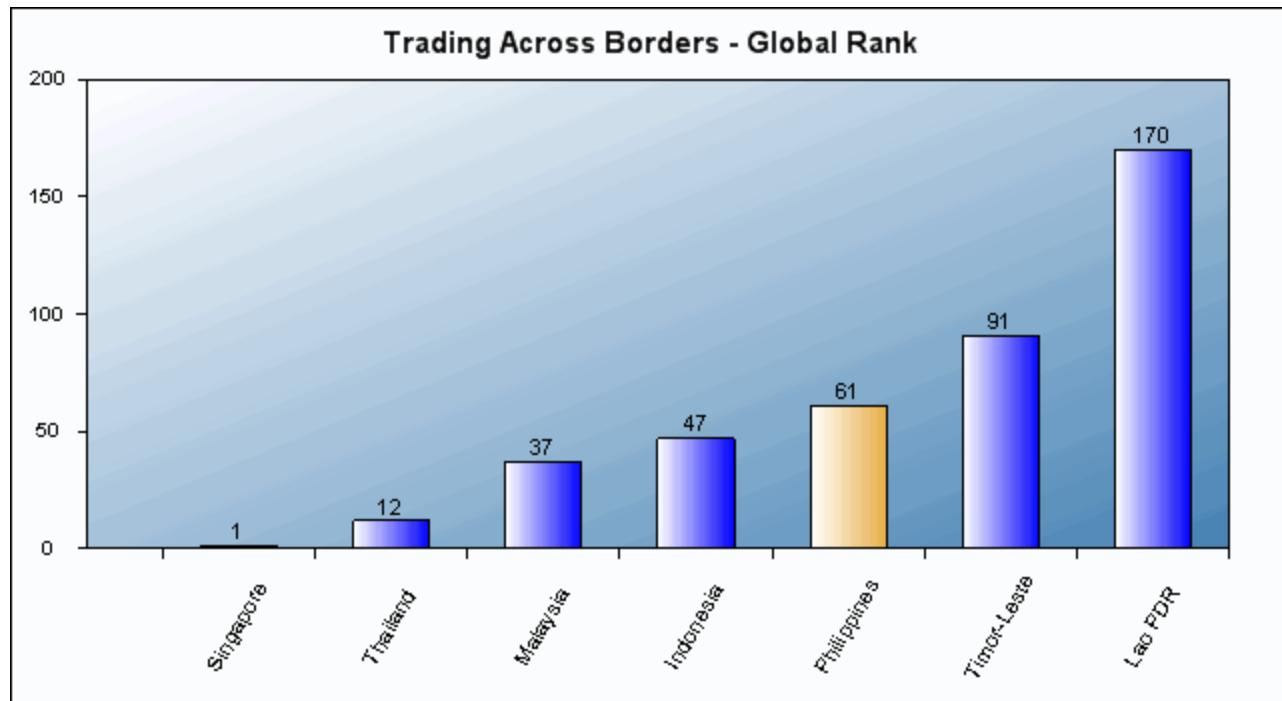
The traded product

- Is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000
- Is not hazardous or include military items; it does not require special phytosanitary or environmental safety standards, refrigeration or any other special environment
- Is one of the economy's leading export or import products

1. Benchmarking Trading Across Borders Regulations:

Philippines is ranked 61 overall for Trading Across Borders.

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



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

Good Practice Economies	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
Denmark*		5				
France	2			2		
Malaysia			450			
Singapore					4	439

<i>Selected Economy</i>						
Philippines	8	15	675	8	14	730

<i>Comparator Economies</i>						
Indonesia	5	20	704	6	27	660
Lao PDR	9	48	1860	10	50	2040
Malaysia	7	18	450	7	14	450
Thailand	4	14	625	3	13	795
Timor-Leste	6	25	1010	7	26	1015

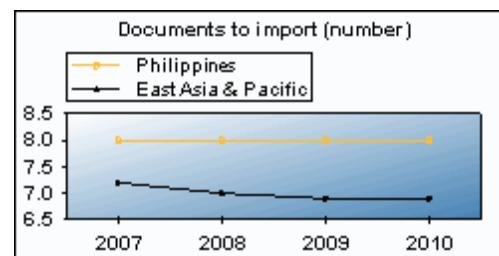
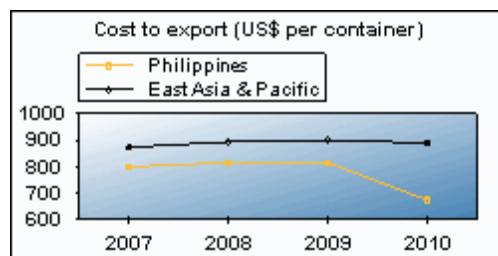
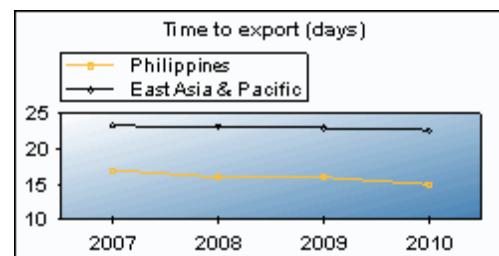
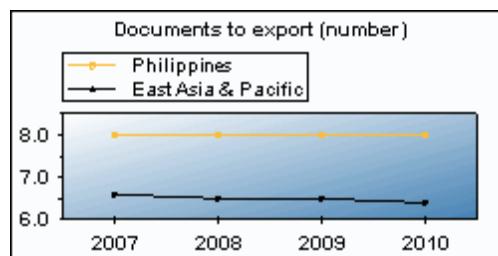
* The following economies are also good practice economies for :

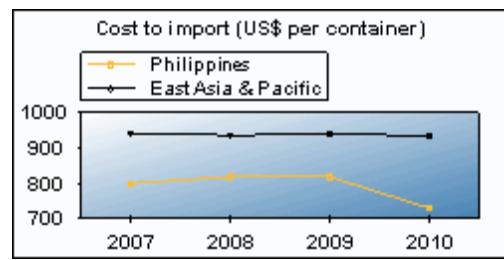
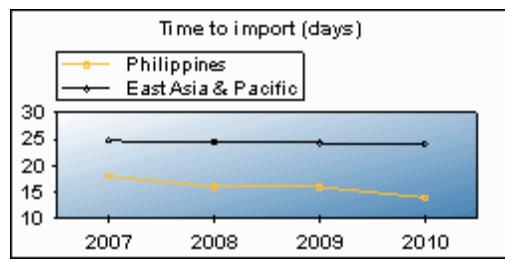
Time to export (days): Estonia

2. Historical data: Trading Across Borders in Philippines

Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	68	61
Cost to export (US\$ per container)	800	816	816	675
Cost to import (US\$ per container)	800	819	819	730
Documents to export (number)	8	8	8	8
Documents to import (number)	8	8	8	8
Time to export (days)	17	16	16	15
Time to import (days)	18	16	16	14

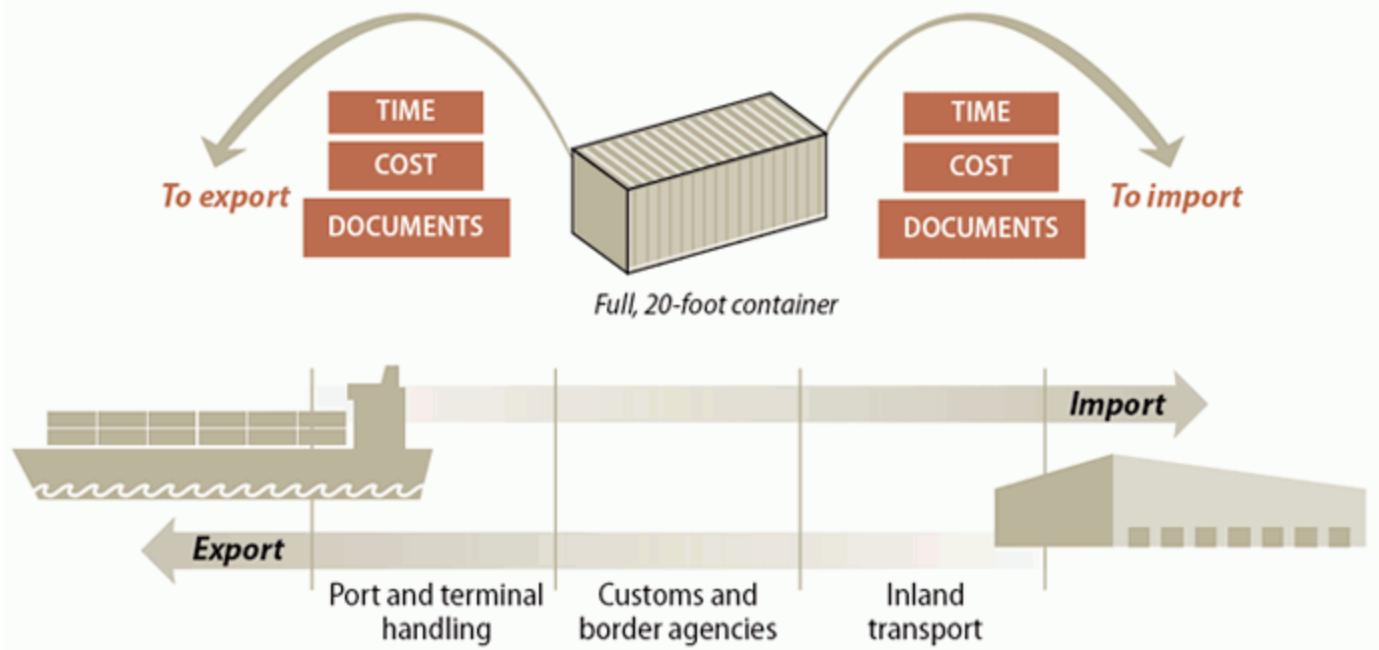
3. The following graphs illustrate the Trading Across Borders sub indicators in Philippines over the past 4 years:





Trading Across Borders in Philippines

How much time, how many documents and what cost to export and import across borders by ocean transport?



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

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	8	150
Customs clearance and technical control	2	85
Ports and terminal handling	3	270
Inland transportation and handling	2	170
Totals	15	675

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	8	170
Customs clearance and technical control	2	185
Ports and terminal handling	3	200
Inland transportation and handling	1	175
Totals	14	730

Documents for Export and Import

Export

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

Import

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

Well functioning courts help businesses expand their network and markets. Where contract enforcement is efficient, firms have greater access to credit and are more likely to engage with new borrowers or customers. *Doing Business* measures the efficiency of the judicial system in resolving a commercial sale dispute before local courts. Following the step-by-step evolution of a standardized case study, data relating to the time, cost and procedural complexity of resolving a commercial lawsuit are collected through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Some reform outcomes

In Rwanda the implementation of specialized commercial courts in May 2008 resulted in a significant decrease of the case backlog, and contributed to reduce the time to resolve a commercial dispute by nearly 3 months.

In Austria a “data highway” for the courts that allows attachments to be sent electronically has produced savings of €4.4 million in postage alone.

What do the Enforcing Contracts indicators measure?

Procedures to enforce a contract (number)

- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

Time required to complete procedures (calendar days)

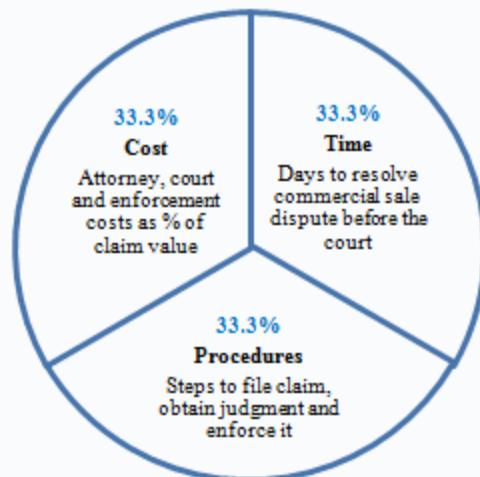
- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

Cost required to complete procedures (% of claim)

- No bribes
- Average attorney fees
- Court costs, including expert fees
- Enforcement costs

Enforcing Contracts: resolving a commercial dispute through the courts

Rankings are based on 3 subindicators



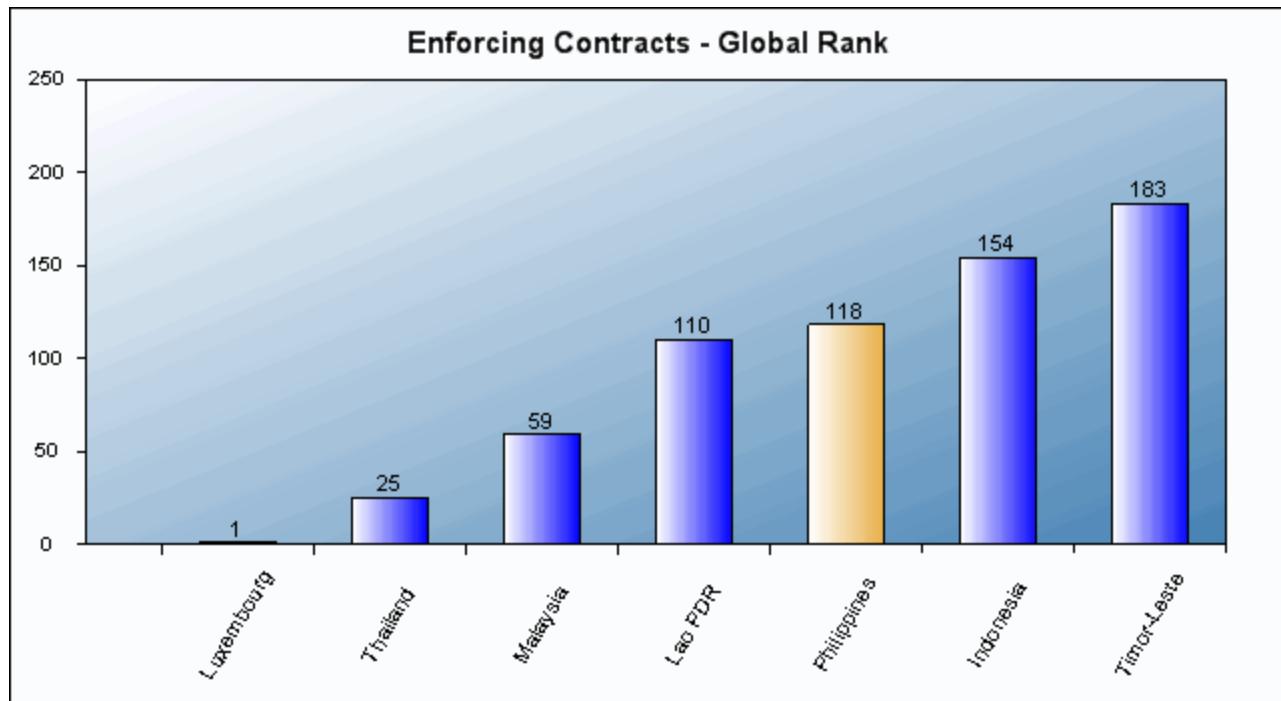
Case Study Assumptions

- Seller and Buyer are domestic companies
- Buyer orders custom-made goods, then does not pay
- Seller sues Buyer before competent court
- Value of claim is 200% of GNI per capita
- Seller requests pre-trial attachment to secure claim
- Dispute on quality of the goods requires expert opinion
- Judge decides in favor of Seller, no appeal
- Seller enforces judgment through a public sale of Buyer's movable assets.

1. Benchmarking Enforcing Contracts Regulations:

Philippines is ranked 118 overall for Enforcing Contracts.

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



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

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

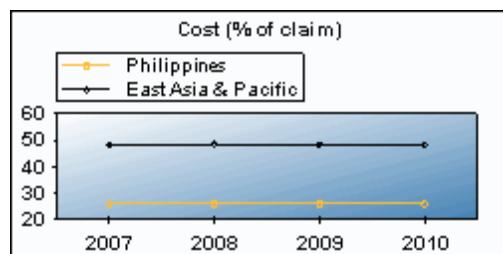
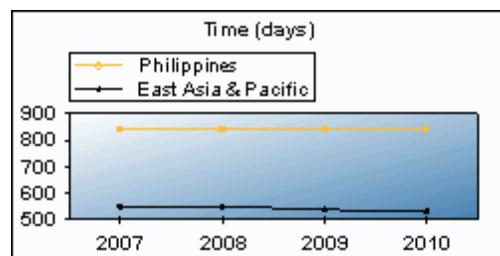
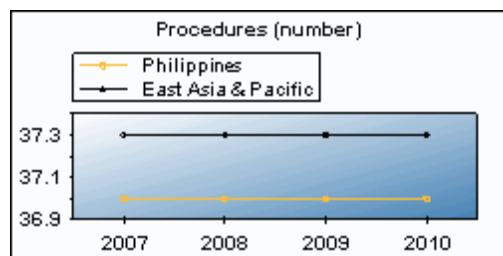
<i>Selected Economy</i>			
Philippines	37	842	26.0

<i>Comparator Economies</i>			
Indonesia	40	570	122.7
Lao PDR	42	443	31.6
Malaysia	30	585	27.5
Thailand	36	479	12.3
Timor-Leste	51	1285	163.2

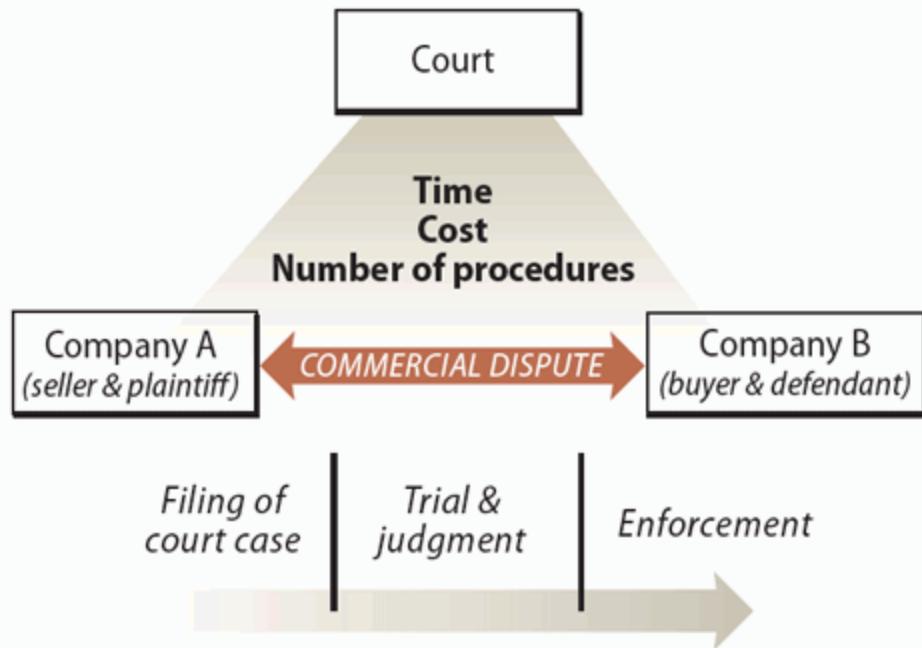
2. Historical data: Enforcing Contracts in Philippines

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	118	118
Procedures (number)	37	37	37	37
Time (days)	842	842	842	842
Cost (% of claim)	26.0	26.0	26.0	26.0

3. The following graphs illustrate the Enforcing Contracts sub indicators in Philippines over the past 4 years:



What are the time, cost and number of procedures to resolve a commercial dispute through the courts?



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

Nature of Procedure (2010)	Indicator
Procedures (number)	37
Time (days)	842
Filing and service	58.0
Trial and judgment	580.0
Enforcement of judgment	204.0
Cost (% of claim)*	26.00
Attorney cost (% of claim)	10.0
Court cost (% of claim)	6.0
Enforcement Cost (% of claim)	10.0

Court information: Manila Metropolitan Trial Court

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

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 businesses' speedy return 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.

Some reform outcomes

A study of the 2005 bankruptcy reform in Brazil found that it had led to an average reduction of 22% in the cost of credit for Brazilian companies, a 39% increase in overall credit and a 79% increase in long-term credit in the economy. The purpose of the reform was to improve creditor protection in insolvency proceedings.

Following the introduction of debtor-in-possession reorganizations in Korea in 2006, the number of reorganization filings increased from 76 in 2006 to 670 in 2009.

What does the Closing a Business indicator measure?

Closing a Business: insolvency proceedings against local company

Time required to recover debt (years)

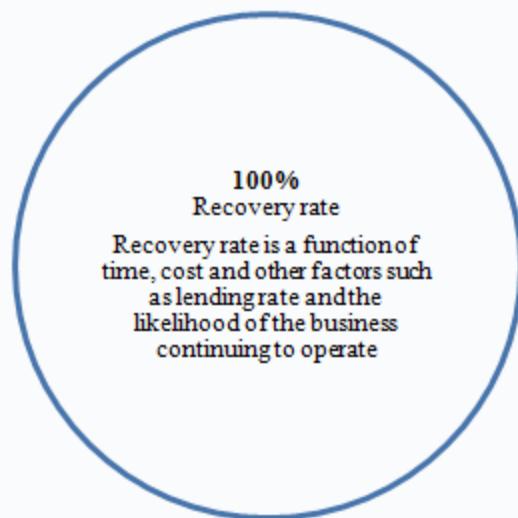
- Measured in calendar years
- Appeals and requests for extension are included

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

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- All other fees and costs

Recovery rate for creditors (cents on the dollar)

- Measures the cents on the dollar recovered by creditors
- Present value of debt recovered
- Costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Outcome for the business (survival or not) affects the maximum value that can be recovered



Case Study Assumptions

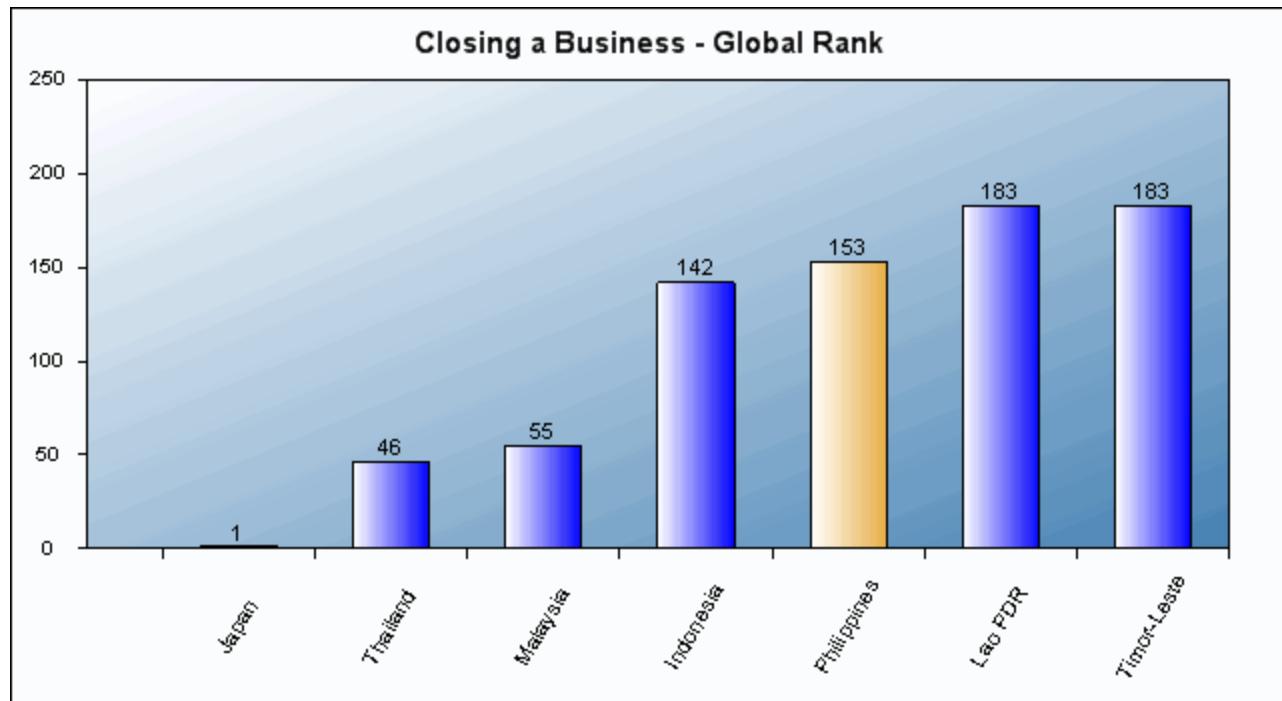
The Company

- is domestically owned
- is a limited liability company operating a hotel
- operates in the economy's largest business city
- has 201 employees, 1 secured creditor and 50 unsecured creditors
- has a higher value as a going concern and a lower value in a piecemeal sale of assets

1. Benchmarking Closing Business Regulations:

Philippines is ranked 153 overall for Closing a Business.

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



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

Good Practice Economies	Recovery rate (cents on the dollar)	Time (years)	Cost (% of estate)
Ireland		0.4	
Japan	92.7		
Singapore*			1

<i>Selected Economy</i>			
Philippines	4.5	5.7	38

<i>Comparator Economies</i>			
Indonesia	13.2	5.5	18
Lao PDR	0.0	no practice	no practice
Malaysia	39.8	2.3	15
Thailand	43.5	2.7	36
Timor-Leste	0.0	no practice	no practice

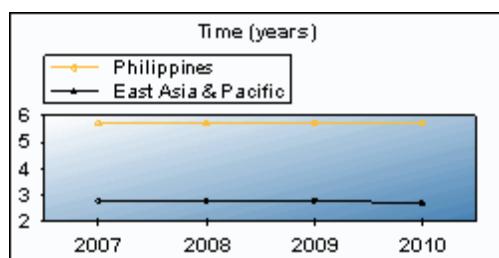
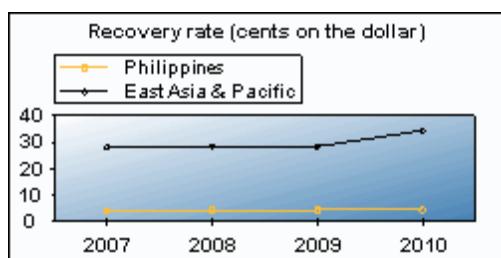
* The following economies are also good practice economies for :

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

2. Historical data: Closing Business in Philippines

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	153	153
Time (years)	5.7	5.7	5.7	5.7
Cost (% of estate)	38	38	38	38
Recovery rate (cents on the dollar)	4.2	4.4	4.4	4.5

3. The following graphs illustrate the Closing Business sub indicators in Philippines over the past 4 years:



Since 2004 Doing Business has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening access to credit and enforcing contracts by measuring their impact on 10 indicator sets.* Nearly 1,000 reforms have had an impact on these indicators. *Doing Business 2011*, covering June 2009 to June 2010, reports that 117 economies implemented 216 reforms to make it easier to start a business. 64% of economies measured by Doing Business have reformed this year, focusing on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

The top 10 most-improved in Doing Business 2011



Summary of changes to business regulation in top 10 most improved economies in *Doing Business 2011* and selected comparator economies.

Brunei Darussalam	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
Cape Verde	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
Grenada	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
Hungary	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
Indonesia	Indonesia eased business start-up by reducing the cost for company name clearance and reservation and the time required to reserve the name and approve the deed of incorporation. Indonesia reduced its corporate income tax rate. Indonesia reduced the time to export by launching a single-window service.
Kazakhstan	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
Lao PDR	Lao PDR replaced the business turnover tax with a new value added tax.
Malaysia	Malaysia eased business start-up by introducing more online services. Malaysia's introduction of online stamping reduced the time and cost to transfer property.
Peru	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
Philippines	The Philippines eased business startup by setting up a one-stop shop at the municipal level. The Philippines made construction permitting more cumbersome through updated electricity connection costs. 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.
Rwanda	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.

Tajikistan	Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority. Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors. Tajikistan lowered its corporate income tax rate.
Thailand	Thailand made registering property more costly by repealing a 2-year temporary tax reduction for property transfers. Thailand temporarily lowered taxes on business by reducing its specific business tax for 12 months.
Timor-Leste	Timor-Leste increased court efficiency by training and appointing new judges and passing a new civil procedure code.
Vietnam	Vietnam eased company start-up by creating a one-stop shop that combines the processes for obtaining a business license and tax license and by eliminating the need for a seal for company licensing. Vietnam made dealing with construction permits easier by reducing the cost to register newly completed buildings by 50% and transferring the authority to register buildings from local authorities to the Department of National Resources and Environment. Vietnam improved its credit information system by allowing borrowers to examine their own credit report and correct errors.
Zambia	Zambia eased business start-up by eliminating the minimum capital requirement. Zambia eased trade by implementing a one-stop border post with Zimbabwe, launching web-based submission of customs declarations and introducing scanning machines at border posts. Zambia improved contract enforcement by introducing an electronic case management system in the courts that provides electronic referencing of cases, a database of laws, real-time court reporting and public access to court records.



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