Doing Business in Clark: 2023 Edition

#SGVforABetterPhilippines #SGVClark
#ClarkItWorksLikeADream

At dusk, Sacobia Bridge linking the Clark Freeport Zone to the New Clark City.

SGV
Building a better working world

This publication was issued with the valued support of the Business Development and Business Enhancement Group of Clark Development Corporation.

All images in the publication are courtesy of the Clark Development Corporation, Business Conversion and Development Authority and Luzon International Premier Airport Development Corporation.

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NOW OPEN: the long-anticipated new passenger terminal at the Clark International Airport (CRK), which was inaugurated by President Ferdinand Romualdez Marcos, Jr. on September 28, 2022.

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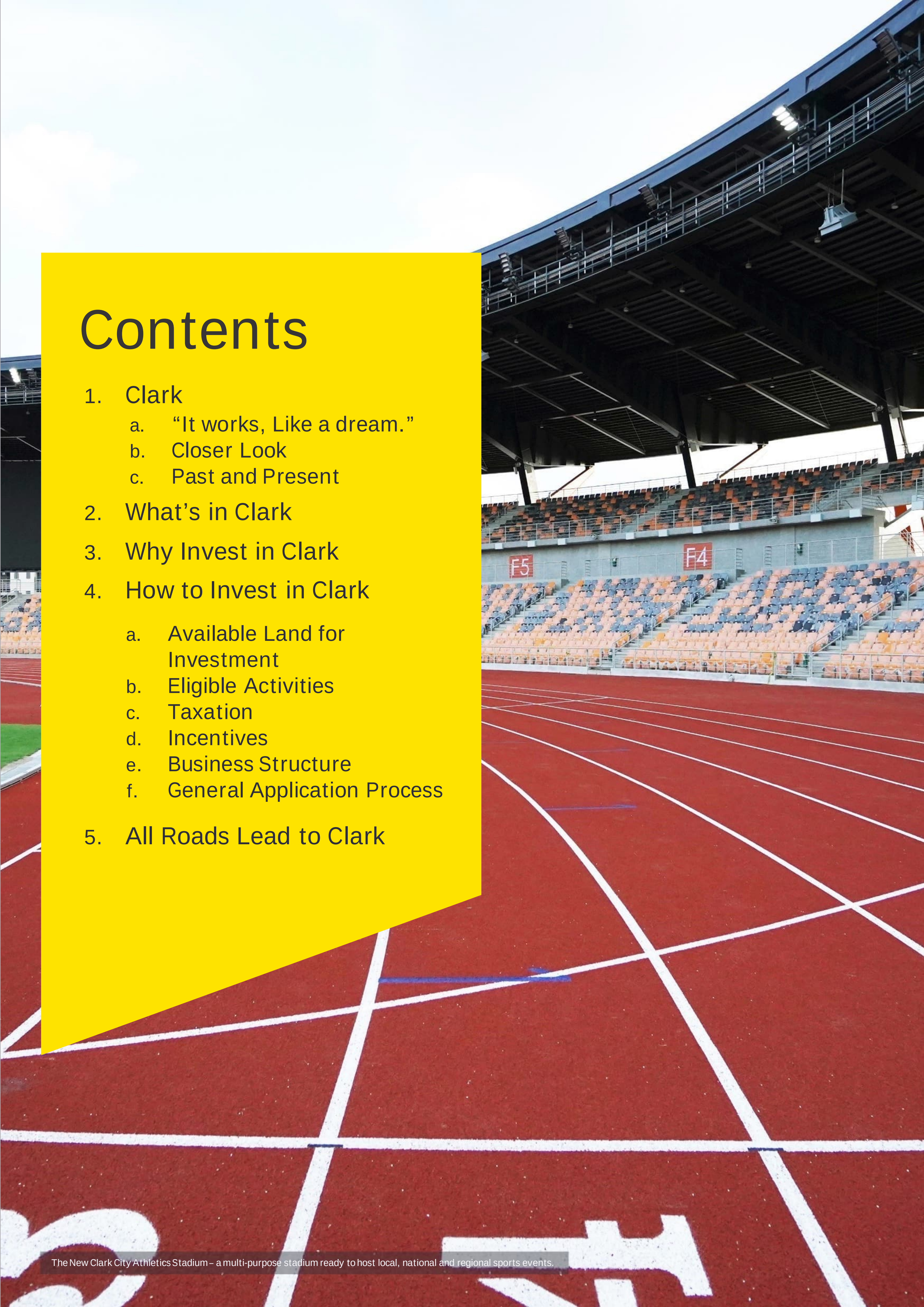


The New Clark City Athletics Stadium – a multi-purpose stadium ready to host local, national and regional sports events.

Clark's secured CFZ gate that never sleeps: it warmly welcomes investors everyday.

A message from the Honorable Secretary of Finance, Chairperson of the Fiscal Incentives Review Board (FIRB)

Republic of the Philippines
DEPARTMENT OF FINANCE
Roxas Boulevard Corner Pablo Ocampo, Sr. Street
Manila 1004

MESSAGE

The best time to do business in the Philippines is now.

Our economic prospects are bright; investor confidence is on the rise; and we have a young, highly-skilled and tech-savvy workforce ready to compete with global talent.

Most importantly, our investment-friendly policy environment allows us to invite local and international businesses from a wide range of industries to choose from several investment hub across the country. We invite you to set our sights on Clark- the Philippines' next big metropolis. Strategically located 80 kilometers north of Metro Manila, it is a natural choice for locators because of the large infrastructure invested in the area.

The rapid development of Clark is in line with the Marcos administration's goal of decongesting the capital and bringing development to the countryside.

Potential investors stand to benefit from the enhanced and superior menu of performance-based tax incentives under the Corporate Recovery and Tax Incentives for Enterprise Act (CREATE). It has rationalized the country's incentive system, allowing us to choose the investors we want on the basis of their strategic benefit to the country. It promotes accountability for each peso granted as an incentive, highlighting the importance of fiscal prudence while balancing the fiscal costs of supporting strategic investments in the country.

Through CREATE, investors in Clark can also enjoy longer income tax holidays for a period of one to two more years, compared to the projects located in Metro Manila and its surrounding areas. This will further boost shareholder returns and stimulate reinvestments in less developed areas. Hundreds of businesses have already recovered their full investments in a span of just 18 to 24 months.

The Fiscal Incentives Review Board (FIRB) serves as primary gatekeeper in the prudent and effective grant of fiscal incentives, ensuring the social and economic benefits are realized in exchange for incentives. Businesses can rely on FIRB for a fair, objective and evidence-based assessment of their projects as they apply for fiscal incentives in Clark.

Investors can expect an even more competitive investment climate in the years to come as the Marcos administration commits to implementing the country 's 8-point socioeconomic agenda. The plan seeks to steer the economy back to it's high -growth trajectory, with the goal of creating more jobs, and green jobs through high investments in infrastructure and productivity enhancement projects.

We look forward to what your investments can bring to the table. You can trust that the Philippines has the right people at the helm and a clear, focused plan to bring you businesses to greater heights.

BENJAMIN E. DIOKNO
Secretary of Finance

AUG 01 2022

A message from the Honorable Secretary of Trade and Industry Co-chair of the FIRB

MESSAGE

Over the years, **SGV & Co.** has been among the government's steadfast allies in creating a conducive business environment. The **Doing Business in Clark** brochure presents itself as a helpful resource that outlines the country's economic highlights, laws, and processes that are relevant to foreign investors. It is also a timely reference as the country enters a post-pandemic future, and works to re-stimulate the domestic economy and rebuild investors' confidence.

The Department of Trade and Industry (DTI)—as the regulatory arm of the Philippine government in areas such as trade, industry, and investment promotion—aims to support economic growth and job generation. Bringing in foreign direct investments serves as one of our key priorities because we want to leverage on investments to build back better, to drive our industrialization, and to foster innovative entrepreneurship.

As we strive to be a top investment destination in Asia, improving the country's attractiveness and competitiveness remains an imperative. It is vital that we strengthen the implementation of initiatives that will promote and advance the ease of doing business in the country. In the World Competitiveness Yearbook, the Philippines' ranking climbed to 48th in 2022 from 52nd in the previous year. This is reflective of the government's continuous efforts to enhance the country's capabilities. But more needs to be done as we begin a new era and face new challenges.

To address the country's regional growth and development disparities, DTI puts its focus on the country's regions and urban centers to maximize its competitive advantage. This, in turn, will support the government's program to decongest Metro Manila by promoting other areas like Clark as a new investment destination.

The Department is also working with concerned agencies in choosing and strengthening a state university as a knowledge hub in every region. Such Inclusive Innovation Centers will serve as platforms for linking startups, spin-offs, and micro, small, and medium enterprises with other stakeholders such as government service providers, funders, science and technology parks, accelerators, and incubators. These platforms will promote a more innovative culture and accelerate the commercialization of research and development outputs in the regions.

Our drive for foreign investments entails an enabling environment that eases investment restrictions and allows foreigners to come in and be owners of businesses in the Philippines. It builds on ecosystems for priority industry clusters, and helps to ensure sustained growth by harnessing talent from a broader base that includes our regions.

With stronger and more meaningful partnerships, we face the challenges ahead with optimism that we will overcome them. We look forward to closely working with SGV & Co in enabling businesses to thrive in a more prosperous, inclusive, and brighter post-pandemic future.

Mabuhay po kayo!

ALFREDO E. PASCUAL
Secretary

A message from the Chairman of the Bases Conversion and Development Authority (BCDA)

MESSAGE

I extend my warmest congratulations to the SGV & Co. on the successful launch of its *Doing Business in Clark* publication. The guidebook further resonates SGV & Co.'s strong commitment to contribute to the country's economic development north of Manila.

Doing Business in Clark infuses timely, reliable, and key information on the rudiments of developing partnerships and investments in the region.

True to the mission of building great and liveable cities, the Bases Conversion and Development Authority (BCDA) has been embarking on development projects that are envisioned to spur economic growth and directed towards life-changing opportunities for the people. We are truly grateful to SGV & Co. and to other private partners for believing in our vision for Clark and the great potentials it holds.

The BCDA is one with the SGV & Co. in delivering and pursuing sustainable and inclusive innovations for a better Philippines. May "Doing Business in Clark" 'work like a dream' in ensuring that businesses thrive in the region, now and beyond.

Mabuhay kayong lahat!

DELFIN N. LORENZANA
Chairman
Bases Conversion and Development Authority

A message from the President and CEO of BCDA

The launch of SGV & Co.'s ***Doing Business in Clark*** investment guide brochure could not come at a better time as the Philippine economy recovers and bounces back from this once-in-a-lifetime crisis.

Getting our economy back on track means enabling businesses to thrive again, sustaining this growth momentum and creating more jobs for Filipinos. To do that, we must build an enabling environment that provides better access to opportunities - offering convenience and ease for stakeholders to do business.

These things are top of mind for the Bases Conversion and Development Authority (BCDA) when building New Clark City.

From building an inclusive housing development to having an up-to-speed internet infrastructure, this 21st-century metropolis is making sure everything a business needs to thrive is within reach.

Serious about sustainability and inclusivity, plans for New Clark City include a sprawling 44.8-hectare green and sustainable public park, a 34.55-hectare residential complex offering affordable housing units for low to middle income dwellers, a world-class centralized estate management service, as well as a solid waste management and waste-to-energy project.

Putting mobility as a top priority, New Clark City has access to world-class infrastructure and the Clark International Airport, which was modernized and expanded to accommodate 8 million passengers a year. Visitors from Metro Manila can access New Clark City via the seamless connection from North Luzon Expressway to Subic-Clark-Tarlac Expressway (SCTEX). Soon, the access road from SCTEX to New Clark City will also be opened to the public to shorten travel time. Also in the pipeline for New Clark City are a bus rapid transport system, an integrated mass transit lane, a multimodal transport hub, and high-speed railways.

Completing this infrastructure support is the Luzon Bypass Infrastructure, which will provide fast, reliable and affordable internet capacity to locators and residents, making New Clark City globally-competitive and viable to advanced technology and innovation. To help businesses thrive in this digital economy, a data center colocation facility and a common information and communications technology (ICT) corridor are also in the pipeline for New Clark City.

Making New Clark City more attractive to foreign investors is a wide-ranging menu of incentives via the Corporate Recovery And Tax Incentives For Enterprises Act (CREATE). Other than the CREATE incentives, BCDA also offers flexibility in granting

A message from the President and CEO of BCDA

incentives for highly-desirable projects with a minimum investment capital of Php 50 billion or at least 10,000 direct local employment generation. BCDA has also cut down on the paperwork to help get business started easier and faster.

Our smart initiatives for New Clark City go beyond cost savings and efficiency improvements. From public services to infrastructure systems, New Clark City is built to help businesses recover and prosper beyond this crisis.

BCDA made sure New Clark City could respond to environmental threats through its strategic location, high elevation, and disaster-resilient features. New Clark City is relatively safe from flooding, having an average elevation of 60 meters above sea level and a storm drainage that can accommodate a 1,000-year flood level. It can also withstand earthquakes and tsunamis, as it is approximately 54 kilometers away from the nearest coastline and 19 kilometers away from the nearest fault line, the east Zambales fault.

Built to withstand a magnitude 8.5 earthquake, New Clark City's National Government Administrative Center (NGAC) also functions as a recovery and back-up administrative hub of the government in times of disasters and emergencies.

As the engines of our economic progress, New Clark City makes sure you are never caught flat footed as you bounce back better and progress beyond this crisis. All these mentioned, we invite you to look at New Clark City and be part of its transformation into a major growth driver in the Philippines.

Maraming salamat po at mabuhay tayong lahat!

Aileen An. R. Zosa

AILEEN AN. R. ZOSA
President and Chief Executive Officer
Bases Conversion and Development Authority

A message from the President and CEO of Clark Development Corporation (CDC)

MESSAGE

I convey my sincere appreciation to SGV and Co. for coming up with a publication that gives emphasis to the myriad of investment potentials in Clark Freeport Zone.

The "Doing Business in Clark" publication will serve as a comprehensive and dependable guide for investors and industry leaders in exploring various business opportunities available in Clark. In the same way, I earnestly hope that the modern infrastructure, utilities, generous fiscal and non-fiscal incentives, professional support services and all the other insights and information cited in this publication will encourage and motivate our current investors to fortify their symbiotic partnership with us.

Together with our valued locators and partners, we have seen how Clark transformed from an ash-fall laden military facility into one of the most favorable investment destinations in the Asia Pacific Region. The Freeport now serves as a home to 1,124 locator companies that provide employment to 124, 939 workers, proving that Clark is truly a profitable and preferable location for thriving businesses.

To uphold Clark's positioning as a preferred investment and tourism destination, the Clark Development Corporation also ensures its locators, partners, and stakeholders that we will continue our efforts in facilitating more initiatives that will foster better business climate favorable to all.

Our commitment to promoting the ease of doing business in Clark remains and will serve as our guiding light as we work toward our goals of sustainable and inclusive development. While we also aim to offer friendlier business environment, CDC consistently endeavors to provide a helping hand to the local communities adjacent to Clark, ensuring that they will also benefit from the positive growth shaping up in the Freeport.

With this, we encourage the business community's leaders and shapers to take your first step into one of the most preferred and dynamic investment destinations in the country today. Shape your future in Clark, and let us all work together to create more developments and opportunities for the future.

Thank you and *mabuhay!*

Atty. Agnes VST Devanadera
President and CEO
Clark Development Corporation

A message from the Officer-in-Charge, President and CEO, Clark International Airport Corporation (CIAC)

MESSAGE

ALLOW ME to convey my warmest greetings to SGV & Co. for its invaluable contribution to nation-building.

For more than seven decades now, SGV & Co. has remained our country's largest multidisciplinary professional services firm and the embodiment of professionalism and world-class standard of quality in providing strategic innovation and competencies for top corporations and businesses in the Philippines.

Your corporate culture of nurturing future leaders, enabling businesses, excellence, and quality service delivery define SGV & Co.'s steadfast commitment to contribute to our country's economic development. The same values we at Clark International Airport Corporation (CIAC) also adhere to in the performance of our mandate as a strategic enabler for an aerotropolis in the region and a globally-competitive Clark Civil Aviation Complex.

The government-owned aviation complex managed by the CIAC is distinctly viable to become a globally-competitive logistics center in southeast Asia primarily because of its privately-run world-class international airport, a sprawling and uncongested complex with aviation-related industries, a business-friendly, and disaster-resilient environment.

Our mission at CIAC is to develop this complex to be a cargo, service, and logistics hub for airlines and multinational companies that complement the airport's use, especially with the anticipated post-pandemic recovery and profitability of aviation-related industries. CIAC also hosts the mixed-use commercial hub Clark Global City, and other locators engaged in manufacturing, information and technology, renewable energy, and other non-aviation-related industries.

With CIAC's core values of Integrity, Innovation, and Impressive, we continue to embark on developing the aviation complex and in supporting the national government's thrust of expanding growth and development and dispersing it to other regions.

Hence, your initiative of circulating the 'Doing Business in Clark' brochure is truly commendable and would also benefit CIAC's stakeholders, potential investors, and locators at the aviation complex.

Congratulations for a job well done and more power to SGV & Co.! We hope to build a mutually beneficial partnership in the future. Mabuhay!

DARWIN L. CUNANAN, ECE
Officer-In-Charge
Office of the President and Chief Executive Officer

A message from the Head of CDC Business Development and Business Enhancement Group

MESSAGE

Our warmest felicitations!

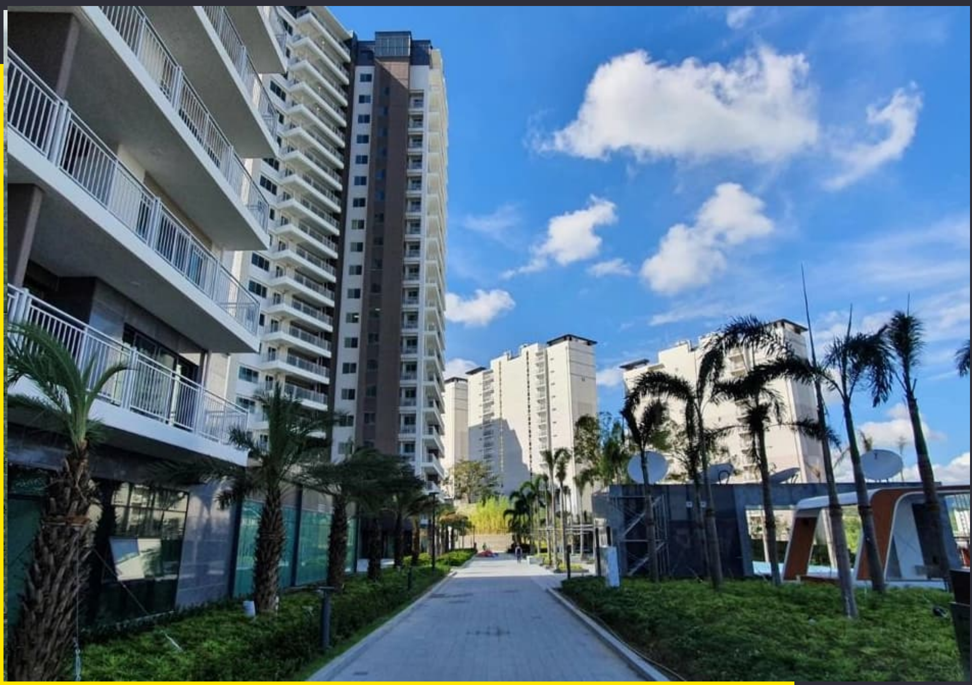
The Clark Development Corporation extends its sincere gratitude to SGV & Co. in underscoring the various developments of the Clark Freeport Zone through its potential and competitive advantage in other ASEAN countries. Through SGV & Co.'s publication, Clark has become one of the premiere economic hubs in Asia Pacific Region.

Over the years, Clark Development Corporation continuously develop strategies to assist its stakeholders in fulfilling their trust in the promotion of ease of doing business. Clark has become a preferred climate to attract corporate investors for Industrial, Agro-Industrial, Information Technology, Commercial, Tourism, Service, Aviation Related Services, and Home and Retirement businesses among others.

Clark in its context can be defined as a country within a country because of its combined life and non-life privileges, provided to those who wish to work and stay inside the zone. It also continues to provide services to its locators in compliance with health protocols to ensure safety. Clark value strong business ties and relationships among stakeholders and it remains resolute in guiding our Locators plant its roots in the business world for income generation towards a progressive economy. With Clark Development Corporation's mission and vision, we are grateful to increase our professional relationship and willing support of SGV & Co. to foster business trust, and to spur promotional advertising of more developments and opportunities in Clark and in the country.

Maraming Salamat po at mabuhay!

Rynah F. Ventura
Vice – President
Business Development and Business Enhancement Group



Clark: *"It works. Like a dream."*

Established in 1903 as a military facility of the United States, Clark is one of the most resilient historic places in the Philippines, continuing to flourish and thrive in spite of the catastrophic and ravaging effects of the eruption of Mount Pinatubo in 1991.

31 years later, Clark stands proudly yet again through sheer determination and progressive development. It has transformed itself from an ashfall-laden military base to one of the foremost premiere economic hubs of Asia. With its cutting-edge technologies, infrastructure, and impressive transportation networks, it is undeniably a haven for investors in the Philippines.

From its humble beginnings as an abandoned military base, Clark has risen from the ashes of Pinatubo and become a place where dreams were realized, and where dreams continue to be realized.

Clark. *It truly works. Like a dream.*

Clark: a closer look

Strategic international and domestic location

Clark’s geography and location reveal its special importance as an indispensable driver of the Philippine economy. It has achieved international recognition and acclaim as an international gateway and a natural entry point to the Asia Pacific region. Domestically, Clark is located in the heart of the Philippines’ Central Luzon region, which stands among the most skilled and productive regions in the country.

The facade of the new Clark International Airport (CRK) which can accommodate at least 8,000 passengers.

Clark as an international gateway in Asia Pacific

Clark is an international gateway and the natural entry point to the Asia Pacific region with only 3.5 hours flying time away from China, Hong Kong, Taiwan, Singapore, Japan, Korea, and other key points in Asia. Clark can also be accessed through different channels. It is 106.7 km away from the Ninoy Aquino International Airport (2 hours and 10 minutes).

When travelling by sea, Clark is only 45 km away from the Seaport of Subic and 85 km away from the Manila Seaport. This ease of access makes Clark valuable to foreign investors, in addition to its near to zero crime rate, low pollution levels, absence of traffic congestion, and favorable tax structure.

Strategic location in Central Luzon

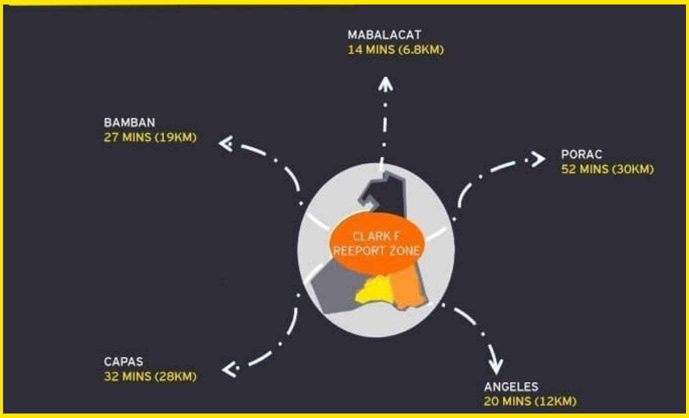
Located in the heart of Philippines' Central Luzon region and spanning Tarlac and Pampanga, the region's major provinces, Clark is located just 2 hours north of Manila by land – bordered on the north by Tarlac and Nueva Ecija, on the east by Bulacan, on the south by Bataan, and on the west by Zambales.

As of 2020, Central Luzon is home to 12.422 million Filipinos. The region comprises 11.39% of the total Philippine population, with 65.13% belonging to the working age population (15-64 years). (Source: Philippine Statistics Authority 2020 Census)

As of 2020, Central Luzon's contribution to the nation's Gross Domestic Product (GDP) is valued at Php1.8 trillion. The region also posted an increase of 7.4% in its GDP. Of the 5.7% economic growth in the country, Central Luzon was the third-largest contributor to the increase with 0.8 percentage points, accounting for 10.9 percent of the total GDP.

In 2020, Central Luzon's inflation rate continued its downtrend to 2.4%. In October 2020, it recorded an employment rate of 90.4%.

5 CONTIGUOUS AREAS



In addition, the region's performance amounted to 5.15% of the country's domestic trade. Domestic trade by air of the region in 2018 also preferred the outflow of goods (<Php44 million) rather than the inflow of goods (<Php3.4 million).

Provinces in Central Luzon also offer access to a highly skilled talent pool, making it easier for locators to fill up jobs needed in their offices and facilities.

Clark: past and present

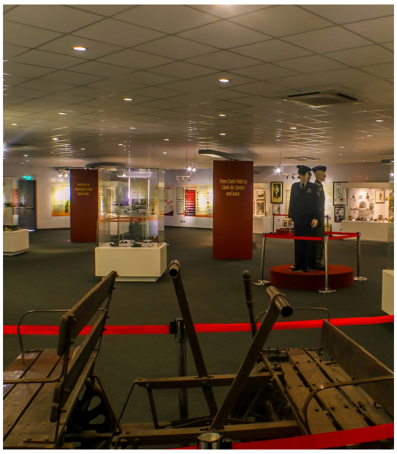
From a military base to an investors' haven

Clark Parade Grounds: the centerpiece of Clark's heritage complex.

Clark history: the resilient military base

Before Clark became one of the premier economic hubs of Asia, it served as a resilient and indomitable military base established in 1903. It was named after Major Harold Clark, an army aviator who was killed in the line of duty in a plane crash in Panama. Clark served as a military facility of the United States for several years, surviving even the Japanese attacks. The aggressive momentum of Clark's economic growth was hampered only by the eruption of Mount Pinatubo in 1991.

Through resilience, steadfast investment and rehabilitation efforts, Clark has now long been a favorite of juggernauts not only in the Philippines, but in Asia.



Clark's history is also intertwined with the laws which have provided for its existence as an economic zone and provided for its development as an investors' haven. On March 13, 1992, Republic Act (RA) No. 7227 or the Bases Conversion and Development Act of 1992 was enacted, which created the BCDA.

The purpose of RA No. 7227 is to adopt, prepare, and implement a comprehensive and detailed development plan for the sound and balanced conversion of the Clark Military reservation.

On April 3, 1993, Proclamation No. 163, s. 1993 was issued, creating the Clark Special Economic Zone (CSEZ) with a total area of 27,600 hectares. On the same date, the CDC was created as the implementing arm of the BCDA pursuant to Executive Order No. 80, s. 1993. In 2007, RA No. 9400 amended RA No. 7227 and converted the Clark Air Base proper into a freeport zone called the Clark Freeport Zone (CFZ) under the jurisdiction of the CDC. CSEZ (27,600 hectares) and CFZ (4,400 hectares) cover the lands occupied by the Clark Military reservations and their contiguous extensions as embraced, covered, and defined by the 1947 Military Bases Agreement between the Philippines and the United States.

These are located within the territorial jurisdictions of Angeles City, the municipalities of Mabalacat and Porac, the Province of Pampanga, the municipalities of Capas and Bamban, and the Province of Tarlac.

The now realized intention then was to utilize the 4,400-hectare main zone and 27,600-hectare subzone as a progressive urban center targeting IT-enabled industries, aviation, logistics, tourism, and related enterprises.

Clark at present: an investor's haven

Today, Clark consists of four main districts: (1) the Clark Freeport Zone, an existing mixed use complex established in the 1990s; (2) Clark Global City, which will serve as the primary business district; (3) New Clark City (NCC), a 9,450-hectare greenfield development inside the Clark Special Economic Zone and positioned to be the country's first disaster-resilient, green, and inclusive city as well as home to the National Government Administrative Center (NGAC) and a world-class Sports Complex; and (4) the Clark International Airport.

In addition to its commercial viability, Clark is also a safe and secure environment because of its strategic geographical location. Its topography provides complete protection against natural disasters and calamities. Surrounding hills and mountains shield it from typhoons and harsh winds, its elevation forecloses the risk of flooding, and its seamlessness renders it faultless and safe from environmental dangers.

Clark's international and domestic trade are highly viable. In 2015, CSEZ had more than US$3.7 billion worth of international exports and almost US$2 billion of international imports.

The first fully-integrated luxury resort in Pampanga – the Hann Casino Resort.

What's in Clark?

Investing in Clark not only means investing in business but investing in an improved quality of life.

Clark balances work and play as it is currently home to several recreational facilities such as hotels, casinos, golf courses, tourist attractions, dining facilities, parks, open spaces, and integrated resort complexes. At the same time, it features a technologically progressive list of priority investments including the manufacture of electronics and semiconductors, aircraft, aircraft parts and accessories, and textiles and clothing apparels. Clark is an Extensive city with its new infrastructures, plethora of services, and quality medical and educational institutions.

True to its motto, to live, work, and play are all represented in Clark's balance.

The Clark Parade Grounds hosts a number of daily outdoor activities.

As a MICE destination
Hotel, MICE and other facilities

CONVENTION / MEETING HALLS	80	DINING FACILITIES	126
HOTEL ROOMS	3,648	TOURISM ATTRACTIONS	45

The Department of Tourism is positioning the CFZ as a premier destination for the MICE (Meetings, Incentives, Conferences, Exhibits) segment. The CFZ is already home to more than a thousand companies. It has 80 convention halls, 3,648 hotel rooms, 126 dining facilities, and 45 tourism attractions such as Clark Safari, Clark Bike Path, Clark Museum and Theater, 4D Museum, Aqua Planet, Clark International Speedway, Dinosaurs Island, Gazebo, Fontana Water Park , El Kabayo Trail, Fort Stotsenburg and Lily Hill Shrine.

The zone is also one of the areas that the Philippines Amusement and Gaming Corporation (PAGCOR) has designated as a casino hub. The zone benefits from a strong local player base. Now the country is also seeing the return of tourists, with Clark having long been a favorite for the Korean market, which has been pulled in by the attraction of its multiple golf courses.

The Philippines is tipped to be the fastest-growing casino market in Asia this year with strong pent-up demand from locals, coupled with gradually increasing tourism traffic. Clark is seen as likely to be the strongest performer due to its international connectivity and critical mass of existing casinos, and by 2030, CFZ shall be a modern sustainable aerotropolis and the preferred MICE and tourism destination in the Asia-Pacific Region.



Clark is a home to several luxurious hotels and resorts.

Why invest in Clark?

Ease of doing business, infrastructure, connectivity, and cost of doing business

With access to a driven and educated workforce, substantial fiscal and non-fiscal incentives, new infrastructures, strategic transportation networks, and competitive rates for key considerations such as labor, utilities, energy, and electricity, more and more investors have decided to establish their footing in Clark.

Depot for Clark-Malolos Railway Project: train in the works to cut travel time between Pampanga and Manila from 3 hours to 1 hour.

Infrastructure

Clark is well on its way to becoming a modern sustainable aerotropolis and the preferred MICE and tourism destination in the Asia-Pacific Region.

As a MICE destination, Clark currently boasts of having 80 convention or meeting halls, 126 dining facilities, 3,648 hotel rooms, and 45 tourism attractions.

A key infrastructure in Clark is the New Clark City, which was funded by private and public entities alike and built as a modern city that promotes sustainability in all areas of city life, combatting low air quality and intense population density.

This new 23,350-acre city, located 75 miles from Manila, has a central park at its core and is surrounded by a business district with a magnificent view of the hills.

Serviced by public transport, the project is also layered with housing facilities and various industries.

The Athletes' Village, Integrated Disaster Response Operations Center, Athletics' Stadium, and Aquatics Center are all key components of New Clark City, symbolizing the country's growth and development.

There is no shortage of room for investors seeking to establish their business in Clark. At present, there are 298.53 hectares available for lease in the CSEZ and CFZ, and 1,573 hectares available for development in NCC, exclusive of the 130 hectares Innovation Hub.

Connectivity

Whether it is by land, air, sea, or within the Philippines, Clark's connectivity makes it extremely accessible and convenient for investors, employees, and consumers alike.

One of the recent developments regarding connectivity is the completion of the Clark International Airport new passenger terminal building in May 2022. To address the increasing demand for flights at the Clark International Airport, the new passenger terminal building Airport was constructed, allowing the accommodation of 8 million passengers and nearly tripling the airport's capacity from 4.2 million to 12.2 million per annum.

The 110,000 square-meter passenger terminal building was a joint project of the Department of Transportation (DOTR) and the BCDA Build, Build, Build Program, costing PhP15.35 billion. It was the first hybrid public-private partnership (PPP) project under the Build, Build, Build Program.

Clark also boasts of its proximity to major thoroughfares such as the North Luzon Expressway and the Subic-Clark Tarlac Expressway. This is on top of numerous envisioned transport links, including the Manila-Clark Highspeed Rail and Clark-Subic Cargo Rail, which will significantly reduce travel time between Clark and Metro Manila cities.

Furthermore, Clark is accessible by both air and sea as it is strategically located close to the Clark International Airport, Subic Bay International Airport, Ninoy Aquino International Airport, Seaport of Subic, and Manila Seaport.

Within Clark, investors, employees, and consumers will also have access to the Bus Rapid Transit Project currently in development.

Ease of doing business

Economic Indicators

	2022	2001	Increase
Locators	1,124	311	261%
Employees	124,939	73,925	69%
Investments	Php 265 B	Php 844 M	31298%
Tourists	1,024,987	141,847	622%

There are several features to ease doing business in Clark that investors can expect, including the reduction of business requirements, simplified forms based on the requirement of the project or activity, the removal of notary requirements, streamlined process through online systems, and the reduction of processing timelines.

There is no better proof of the ease of doing business in Clark than its economic indicators.

Clark's economic indicators show its booming growth in recent years. By 2022, 1,124 locators have invested in Clark, employing a labor force of 124,939 with total investments amounting to Php 265 billion. This equates to significant increases of 261%, 69%, and 31298% respectively since 2001.

Since 2015, exports have risen remarkably from US$4.43 Billion to US$7.2 Billion, and imports from US$3.55 Billion to US$6.7 Billion in 2021.

	2021	2015	Increase
Exports	$7.2 B	$4.43 B	62%
Imports	$6.7 B	$3.55 B	88%

Industry / Sector	No. of locators
Information Communication and Technology/Service/Developers	456
Commercial/Tourism	374
Industrial/Manufacturing	154
Aviation-Related	35
Others (Agro/Institutional/Utilities/Logistics)	105
TOTAL	1,124

Furthermore, the ease of doing business in Clark is demonstrated by the growth in the number of locators in Clark.

Following its transformation as a modern industrial estate and premier service and logistics hub, with facilities for training, conferences, tourism and leisure, Clark has attracted more and more brands renowned throughout the world specializing in various fields.

Rates and statistics

Competitive labor, utilities, and land rates in addition to the fiscal, non-fiscal, and taxation incentives available to Clark investors make Clark a strategic location where locators can establish their footprint.

Labor rates

For Non-agricultural Firms (Manufacturing Firms, Commercial Establishments, Hotels, and Recreational-related)	For Agricultural Firms	For Retail / Service Establishments (small firms only)
· Minimum of S$8.94 per day for those employed in establishments with 10 or more workers	· Minimum of S$8.30 per day for those employed in plantations	· Minimum of US$8.70 per day for those employed in establishments with 10 or more workers
	· Minimum of S$7.96 per day for those employed in non-plantations	· Minimum of S$8.40 per day for those employed in establishments with less than 10 workers

Labor attributes

Labor Force (skilled & unskilled)
124,939 Labor Force
(as of 2nd Quarter of 2022)

Labor Force (skilled & unskilled)
79,384 graduates in Region III

Utility and land rates

Power

Minimum Rate
US$0.085/kwh

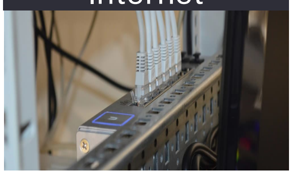
Water

Minimum Rate
US$0.2342/cu.m.

Lot & Building

Lot
US$2.50 to
US$10.00/sqm/month
Building
US$4.00 to
US$10.00/sqm/month

Internet



From US$25-500 depending on the speed

Landline

Minimum Rate R-US$10.8438
Minimum Rate C-US$18.7282

Recent amendatory laws affecting foreign investments

Near the end of his term, President Rodrigo Roa Duterte signed the following amendatory laws: Republic Act No. 11595, amending the Retail Trade Liberalization Act; Republic Act No. 11647, amending the Foreign Investment Act; and Republic Act No. 11659, amending the Public Service Act.

Retail Trade Liberalization Act (Republic Act No. 8762, as amended by Republic Act No. 11595)

The minimum capital requirement for foreign participation in retail trade was lowered from US$ 2,500,000.00 to PhP25,000,000.00 (or US$ 426,839.68 at 1 US$:PhP 58.57 exchange rate). On the other hand, for foreign retailers engaged in retail trade through more than one physical store, the minimum investment per store must be at least PhP 10,000,000.00 (or US$ 170,735.87 at 1 US$: PhP 58.57 exchange rate) from US$ 830,000,00. It also removed the Certification of Prequalification that was formerly issued by the Board of Investments (BOI).

Retail enterprise with more than 80% foreign ownership are no longer required to publicly offer 30% of their shares in the Philippines. Preference for domestic labor and promotion of locally made products are also adopted in the law.

Foreign Investments Act (Republic Act No. 7042, as amended by Republic Act No. 11647)

Micro and small domestic market enterprises with paid-in equity capital less than the equivalent of $200,000.00, are reserved to Philippine nationals. Under the amendatory law, An exemption of a minimum paid-in capital of US$100,000.00 shall be allowed to non-Philippine nationals, when the enterprise:

- Involves advanced technology as determined by Department of Science and Technology (DOST); or
- Is endorsed as startup or startup enablers by the lead host agencies pursuant to Republic Act No. 11337, otherwise known as the Innovative Startup Act; or
- A majority of their direct employees are Filipinos, but in no case shall the number of Filipino employees be less than fifteen (15);
- AND, that registered foreign enterprises employing foreign nationals and enjoying fiscal incentives shall implement an understudy or skills development program to ensure the transfer of technology or skills to Filipinos.

The law also created an Inter-agency Investment Promotion Coordination Committee (IIPCC) and granted the President of the Philippines power to suspend, prohibit, or limit foreign investments to safeguard national interests. He/she may order the IIPCC to review foreign investments that may threaten territorial integrity and the safety, security, and well-being of Filipinos.

The Foreign Investments Act (FIA) of 1991 liberalized the entry of foreign investments into the Philippines. Under the FIA, foreign companies are generally allowed to conduct business in the Philippines subject to restrictions spelled out in the Foreign investment's Negative List (FINL), which the government periodically updates. The FINL is a shortlist of areas of economic activities where foreign investments are restricted or limited.

The 12th FINL reflects, among other things, the full foreign ownership liberalization for telecommunications, domestic shipping, railways and subways, and air transport as provided under the amendments to the Public Service Act (Commonwealth Act No. 146, as amended by Republic Act No. 11659).

Public Service Act (C.A. No. 146, as amended by Republic Act No. 11659)

- Definition of public utility. [Section 13(d)] A public utility refers to a public service that operates, manages or controls for public use any of the following: distribution of electricity; transmission of electricity; petroleum and petroleum products pipeline transmission systems; water pipeline distribution systems and wastewater pipeline systems, including sewerage pipeline systems; seaports; and public utility vehicles. Likewise, all concessionaires, joint ventures and other similar entities that wholly operate, manage or control for public use the sectors above are public utilities. No other person shall be deemed a public utility unless otherwise subsequently provided by law.
- Power of the President to recommend classification Under Section 13(e) the President, upon the recommendation of the NEDA, is empowered to recommend to Congress the classification of a public service as a public utility. The recommendation must follow criteria laid down by the law itself.

Introduction of the concept of critical infrastructure, Section 2 (e):

"(e) Critical Infrastructure refers to any public service which owns, uses, or operates systems and assets, whether physical or virtual, so vital to the Republic of the Philippines that the incapacity or destruction of such systems or assets would have a detrimental impact on national security, including telecommunications and other such vital services as may be declared by the President of the Philippines."

Based on Section 24, an entity controlled by or acting on behalf of the foreign government or foreign state-owned enterprises shall be prohibited from owning capital in any public service classified as public utility or critical infrastructure. Such prohibition applies only to investments made after the effectivity of the amendatory law. Likewise, foreign state-owned enterprises which own capital prior to said date are prohibited from investing in additional capital. However, sovereign wealth funds and independent pension funds of each state may collectively own up to 30% of the capital of such public services.

Under the 1987 Philippine Constitution, the operation of a public utilities are reserved to Filipino citizens or to corporations or associations organized under the laws of the Philippines at least sixty per centum (60%) of whose capital is owned by Filipino citizens.

12th Regular Foreign Investment Negative List

The 12th Foreign Investment Negative List (FINL) was promulgated on June 27, 2022.

LIST A

Foreign ownership is limited by mandate of the constitution and specific laws

No Foreign Equity

1. Mass media, except recording (Art. XVI, Sec. 11 of the 1987 Constitution; Presidential Memorandum dated 05 May 1994) and internet business (DOJ Opinion No. 40, s. 1998)
2. Practice of professions (Art. XII, Sec. 14 of the Constitution), except in cases specifically allowed by law following the prescribed conditions stated therein (Sec. 1 of RA No. 5181, Sec. 7[j] of RA No. 8981), Title II of Presidential Decree (PD) No. 442). The Annex on Professions attached herewith and forming an integral part of this document indicates professions where foreigners are not allowed to practice in the Philippines, except if subject to reciprocity as provided in pertinent laws; and corporate practice of professions with foreign equity restrictions under pertinent laws.
3. Retail trade enterprises with paid-up capital of less than PhP25,000,000.00 (Sec. 2 of RA No. 11595 amending RA no. 8762)
4. Cooperatives (Ch. III, Art. 26 of RA No. 6938, as amended by Ch. II, Art. 10 of RA No. 9520), except investments of former natural-born citizens of the Philippines (Section 4 of RA No. 8179, amending RA No. 7042)
5. Organization and operation of private detective, watchmen, or security guards agencies (Sec. 4 of RA No. 5487, as amended by Section 4 of PD No. 11 and PD No. 100, s. 1973)
6. Small-scale mining (Sec. 3 of RA No. 7076)
7. Utilization of marine resources in archipelagic waters, territorial sea, and exclusive economic zone as well as small-scale utilization of natural resources in rivers, lakes, bays, and lagoons (Art. XII, Sec. 2 of the Constitution)
8. Ownership, operation, and management of cockpits (Sec. 5 of PD No. 449)
9. Manufacture, repair, stockpiling, and/or distribution of nuclear weapons (Art. II, Sec.8 of the Constitution)
10. Manufacture, repair, stockpiling, and/or distribution of biological, chemical, and radiological weapons and anti-personnel mines (various treaties to which the Philippines is a signatory and conventions supported by the Philippines)
11. Manufacture of firecrackers and other pyrotechnic devices (Sec. 5 of RA No. 7183)

Up to 25% Foreign Equity

1. Private recruitment, whether for local or overseas employment (Art. 27 of PD No. 442)
2. Contracts for the construction of defense-related structures (Sec. 1 of Commonwealth Act No. 541)

Up to 30% Foreign Equity

1. Advertising (Art. XVI, Sec. 11 of the Constitution)

Up to 40% Foreign Equity

1. Procurement of infrastructure project pursuant to Section 23.4.2.1(b), (c) and (e) of the Implementing Rules and regulations (IRR) of RA No. 9184.
2. Exploration, development and utilization of natural resources (Art. XII, Sec. 2 of the Constitution)
3. Ownership of private lands (Art. XII, Sec. 7 of the Constitution; Sec. 22 of CA No. 141; Sec. 4 of RA No. 9182), except a natural born citizen who lost his Philippine citizenship and who has the legal capacity to enter into contract under Philippine Laws (Sec. 10 of RA No. 7042, as amended by Section 5 of RA No. 8179)
4. Operation of public utilities (Art. XII, Sec. 11 of the Constitution; Sec. 13 of CA No. 146, as amended by Sec. 4 of RA No. 11659, Sec. 2(a), 2(b), and 2(m) of RA No. 7718)
5. Educational institutions other than those established by religious groups and mission boards, for foreign diplomatic personnel and their dependents, and other foreign temporary residents (Art. XIV, Sec. 4 of the Constitution), or for short-term high-level skills development that do not form part of the formal education system as defined in Sec. 20 of Batas Pambansa No. 232
6. Culture, production, milling, processing, trading except retailing, of rice and corn and acquiring, by barter, purchase or otherwise, rice and corn and the by-products thereof (Sec. 5 of PD No. 194), subject to period of divestment (National Food Authority (NFA) Council Resolution No. 193, s. of 1998)
7. Contracts for the supply of materials, goods, and commodities to government-owned or controlled corporation, company, agency, or municipal corporation (Sec. 1 of RA No. 5183, and Sec. 4 of RA No. 9184)
8. Operation of deep sea commercial fishing vessels (Sec. 27 of RA No. 8550, as amended by RA No. 10654)
9. Ownership of condominium units (Sec. 5 of RA No. 4726)
10. Private radio communications network (Art. XII, Sec. 11 of the Constitution, NTC Memorandum Circular No. 10-8-91)

LIST B

Foreign ownership is limited for reasons of security, defense, risk to health and morals and protection of small and medium scale enterprises

Up to 40% Foreign Equity

1. Manufacture, repair, storage, and/or distribution of products and/or ingredients requiring Philippine National Police (PNP) clearance.

a) Firearms (handguns to shotguns), parts of firearms and ammunition therefore, instruments, or implements used or intended to be used in the manufacture of firearms;
b) Gunpowder;
c) Dynamite;
d) Blasting Supplies;
e) Ingredients used in making explosives:
    - i. Chlorates of potassium and sodium;
    - ii. Nitrates of ammonium, potassium, sodium barium, copper (11), lead (11), calcium, and cuprite;
    - iii. Nitric acid;
    - iv. Nitrocellulose;
    - v. Perchlorates of ammonium, potassium, and sodium;
    - vi. Dinitrocellulose;
    - vii. Glycerol;
    - viii. Amorphous phosphorus;
    - ix. Hydrogen peroxide;
    - x. Strontium nitrate powder;
    - xi. Toluene; and
    - xii. Telescopic sights, sniper scope, and other similar devices

However, the manufacture or repair of these items may be authorized by the Chief of the Philippine National Police to non-Philippine nationals; provided that a substantial percentage of output, as determined by the said agency, is exported.

Provided further that the extent of foreign equity ownership allowed shall be specified in the said authority/clearance (IRR of RA No. 7042 as amended by RA No. 8179)

3. Manufacture, and distribution of Dangerous Drugs (RA No. 7042 as amended by RA 8179)
4. Sauna and steam bathhouses, massage clinics, and other like activities regulated by law because of risks posed to public health and morals, except wellness centers (RA No. 7042 as amended by RA No. 8179)
5. All forms of gambling (RA No. 7042 as amended by RA No. 8179) except those covered by investment agreements with PAGCOR (PD No. 1869, as amended by RA No. 9487)
6. Micro and Small Domestic markets enterprises with paid-in equity capital of less than the equivalent of US$200,000 (RA No. 7042, as amended by RA No. 11647)
7. Micro and small domestic market enterprises: (i) which involve advanced technology as determined by the Department of Science and Technology (DOST); (ii) are endorsed as startup or startup enablers by the lead host agencies, namely Department of Trade and Industry (DTI), Department of Information and Communications Technology (DICT) or DOST, pursuant to RA No. 11337, otherwise known as "Innovative Startup Act;" or (iii) with the majority of their direct employees as Filipinos, but in no case shall the number of Filipino employed be less than Fifteen (15), with paid-in equity capital of less than equivalent of US$100,000.00 (RA No. 7042, as amended by RA No. 11647)

Footnotes:

1. DOJ Opinion No. 40 (s. 1998) uses the term "Internet Business" to refer to internet access providers that merely serve as carriers for transmitting messages, rather than being the creator of messages/information.
2. RA No. 5181 prescribes permanent residence and reciprocity as qualifications for any examination or any registration of any profession in the Philippines (Section 1 of RA no. 5181)
3. RA No. 8981 provides rules for foreign professionals who intend and are authorized by existing laws to practice a profession in the Philippines (Sec 7(j) and 7(l) of RA No. 8981).
4. Title II of PD No. 442 governs the employment of non-resident aliens in the country.
5. DOJ letter to NEDA dated 12 October 2021 states that "licensed/registered foreign professionals who are allowed, on the basis of reciprocity, to practice profession in the Philippines, can have equity in a corporation authorized to practice the same profession, subject to the limitations provided, if any, in the relevant regulatory or Board law and other relevant laws.
6. Foreign-owned partnerships, associations and corporations are allowed to engage in retail trade provided that a) a foreign retailer shall have a minimum paid-up capital of PhP25 million b) foreign retailer's country of origin does not prohibit entry of Filipino retailers, and c) foreign retailers with more than one physical stores must have at least PhP10 million minimum investment per store (Sec. 2 of RA No. 11595 amending RA No. 8762)
7. Former natural born of the Philippines have the same investment rights to cooperatives as a Philippine citizen (Sec. 9 of RA No. 7042).
8. Domestic investments are also prohibited (Art II, Sec. 8 of the Constitution).
9. Domestic investments are also prohibited (Art II, Sec. 8 of the Constitution; Conventions/Treaties to which the Philippines is a signatory).
10. Full foreign participation is allowed through financial and technical assistance agreements entered into with the President (Art II, Sec. 2 of the Constitution) .
11. Any natural born citizen who has lost his Philippine citizenship and who has legal capacity to enter into a contract under the Philippine laws maybe a transferee of a private land up to the maximum area of five thousand (5,000) square meters in the case of urban land or three (3) hectares in the case of rural land to be used by him for business or other purposes.
12. The participation of the foreign investors in the governing body of any public utility enterprise shall be limited to their proportionate share in its capital, and all the executives and managing officers of such corporation or association must be citizens of the Philippines (Sec. 11 Art. II of the Constitution).
13. Sec. 13 of CA. No. 146, as amended by Sec. 4 of RA No. 11659, defines public utility as public service that operates, manages and control for public use of any of the following: 1) distribution of electricity, 2) transmission of electricity, 3) petroleum and petroleum products pipeline transmission system, 4) seaports and 5) public utility vehicles. All concessionaires, joint ventures and other similar entities that wholly operate, manage or control for public use the sectors above are public utilities. Nothing in this act shall be deemed public utility unless otherwise subsequently provided by law.
14. Except power generation and the supply of electricity to the contestable market (Sec. 6 and Sec. 29 of RA No. 9136, respectively) and such other like business or services not covered by the definition of public utilities.
15. Control and administration of educational institutions shall be vested to the citizens of the Philippines ~~(Sec~~ (Art. XIV, Sec 4(2) of the Constitution).
16. Full foreign participation is allowed provided that within the 30-year period from start of operation, the foreign investor shall divest a minimum of sixty percent (60%) of their equity to Filipino citizens (Sec. 5 of PD No. 194; NFA Council Resolution No. 193, s. of 1998).
17. A contract may be awarded to any contractor or bidder who is a citizen, corporation or association of a foreign country the laws or regulations of which grant similar rights or privileges to citizens of the Philippines (Sec. 1 of RA No. 5183).

The Strategic Investment Priority Plan (SIPP)

The 2022 SIPP was approved by President Rodrigo Duterte on 24 May 2022, and took effect on 11 June 2022 following its publication in a newspaper of general circulation. The 2022 SIPP lists the priority economic and business activities that can avail of investment incentives under the CREATE Act.

The 2022 SIPP is aligned with the Philippine Development Plan 2017-2022 and with the long-term aspiration and visions of the Inclusive Innovation Industrial Strategy (i3s) of the DTI and Pagtanaw 2050 of the Department of Science and Technology In the present formulation, projects and activities listed in the 2020 IPP remain priority, while climate change, economic and medical challenges brought by the COVID-19 pandemic, international and local security relations, and deficiencies in technological advancement are also addressed.

Consistent with CREATE's introduction of fiscal and non-fiscal incentives in tiers, the 2022 SIPP categorized qualified projects to 3 industry tiers. Tier 1 covers all activities listed in the 2020 IPP, not specifically listed under Tiers 2 or 3. Tier 2 covers all activities that address value chain gaps and promote green ecosystems, dependable health systems, and self-reliant defense. Tier 3 covers all activities that focus on the application of research and development and attracting technology investments.

The 2022 SIPP shall be valid for three years until 10 June 2025, subject to review and amendment every three years thereafter, unless a supervening event necessitates an earlier review.

TIER I

A. Preferred Activities

1. <u>All Qualified Activities Relating to the Fight against the COVID-19 Pandemic</u>
   - Essential Goods
   - production or manufacture of medicines, medical equipment and devices, personal protective equipment (PPE), surgical equipment and supplies, laboratory equipment and its reagents, medical supplies, tools, and consumables such as but not limited to sanitizers and cleaning materials, sodium hypochlorite, povidone iodine, including the production or manufacture of raw materials, semi-finished/intermediate goods, and machinery and equipment for use in the production or manufacture of the aforementioned products.
   - This includes repurposing of manufacturing activities to produce the abovementioned products.
   - Essential Services
   - This covers the provision of services such as but not limited to crematoriums, health waste treatment and disposal, laboratories, test facilities, hospitals, and quarantine facilities
2. <u>Investments in activities, subject to the determination by the Board, supportive of Programs to generate employment opportunities outside of congested urban areas such as but not limited to the proposed Balik Probinsya Program or any similar Program that may be implemented by Government</u>.
3. <u>All Qualified Manufacturing Activities including Agro-Processing</u>
   - manufacture of industrial goods
   - processing of agricultural and fishery products, including Halal and Kosher food, into (a) semi-finished/intermediate goods for use as inputs in the production of other goods, or finished products or consumer goods for final consumption.
   - manufacture of modular housing components and machinery and equipment including parts and components.

For Metro Manila, only modernization projects may qualify for registration.

4. <u>Agriculture, Fishery and Forestry</u>
   - commercial production of agricultural, fishery and forestry products.
   - nurseries, hatcheries, postharvest facilities, and other support services and infrastructures.

For Metro Manila, only agricultural infrastructure and support services and urban agriculture projects may qualify for registration as new, expansion, or modernization.

5. Strategic Services
    - integrated circuit design
    - creative industries/knowledge-based services
    - IT-BPM services for the domestic market (*e.g.,* contact centers, data analytics),
    - animation, software development, game development, healthcare information management systems, and engineering design.
    - this also covers digital or technological start-ups/activities.
    - maintenance, repair, and overhaul (MRO) of aircraft
    - charging/refueling stations for alternative energy vehicles
    - industrial waste treatment
    - telecommunications (only new players may qualify for registration)
    - state-of-the-art engineering, procurement, and construction

6. Healthcare Services and Disaster Risk Reduction Management Services including Hospitals and Drug Rehabilitation, Quarantine, and Evacuation Centers
7. Mass Housing
    - development of mass housing units based on a price ceiling of Php2.0 Million.
    - in-city low-cost dwelling projects for lease/rent.

For Metro Manila, only in-city low-cost dwelling for lease/rent may qualify for registration.

8. Infrastructure and Logistics including LGU-PPPs
    - establishment and operation of physical infrastructures vital to the country's economic development and prosperity such as, but not limited to: airports, seaports, (air, land and water) transport, LNG storage and regasification facilities, pipeline projects for oil and gas,
    - bulk water treatment and supply, training facilities, testing laboratories, and domestic industrial zones.
    - PPP projects including those initiated and/or implemented by Local Government Units (LGUs).

9. Innovation Drivers
    - research and development (R&D) activities
    - conduct of clinical trials
    - establishment of centers of excellence
    - innovation centers, business incubation hubs, smart cities, fabrication laboratories/co-working spaces, and development of mobility solutions and digital trade
    - commercialization of new and emerging technologies.
    - uncommercialized patents on products and services, and products of locally undertaken R&D startup and startup enablers under RA No. 11337 or The Innovative Startup Act.

10. Inclusive Business (IB) Models
    - medium and large enterprises (MLEs) in the agribusiness and tourism sectors that provide business opportunities to micro and small enterprises (MSEs) as part of their value chains.

11. Environment or Climate Change Related Projects
    - manufacture/assembly of goods and the establishment of energy efficiency-related facilities, except those covered under RA No. 11285 or Energy Efficiency and Conservation Act,
    - green ship recycling based on international standards,
    - establishment of privately-owned materials recovery facility.

12. Energy
    - power generation projects utilizing conventional fuels (i.e., coal, diesel, bunker, and natural gas), waste heat and other wastes,
    - establishment of battery energy storage systems.

B. Export Activities

- Production and manufacture of export products
- Services Exports
- Activities in support of exporters

C. Special Laws

- Industrial Tree Plantation (P.D. 705);
- Mining (R.A. 7942) (limited to capital equipment incentive);
- Publication or Printing of Books/Textbooks (R.A. 8047);
- Refining, Storage, Marketing and Distribution of Petroleum Products (R.A. 8479);
- Rehabilitation, Self-Development and Self-Reliance of Persons with Disability (R.A. 7277);
- Renewable Energy (R.A. 9513);
- Tourism (R.A. 9593); and
- Energy Efficiency and Conservation (R.A. 11285).

II. Bangsamoro autonomous region in muslim mindanao (BARMM) list

A. Export activities

1. Export trader and service exporters
2. Support activities for exporters

B. Agriculture, agribusiness, aquaculture and fishery

1. Agriculture and agribusiness
2. Aquaculture and fishery

C. Basic industries

D. Infrastructure and services

E. Industrial service facilities

F. Engineering industries

G. Logistics

H. BIMP-EAGA related investment enterprises

I. Tourism

J. Health and education services and facilities

K. Halal industry

L. Investment operations under RA No. 11439 (An Act Providing for the Regulation and Organization of Islamic Banks)

M. Energy

TIER II includes, but is not limited to, the following activities:

1. Green Ecosystems

- electric vehicle assembly (pure EV, plug-in hybrid EV, hybrid EV, fuel cell EV)
- manufacture of EV parts, components, and systems
- establishment and operation of EV infrastructure
- manufacture of energy efficient maritime vessels and equipment
- electronic devices and circuits for smart grid and renewable energy (includes wearable solar devices)
- bioplastics and biopolymers
- renewable energy
- energy efficiency and conservation projects
- energy storage technologies
- integrated waste management, disposal, & recycling

2. Health related activities

- manufacturing in support of the Vaccine Self-Reliance Program or other health related programs endorsed by the Department of Health (DOH), DOST, and other related agencies
- medicines
- pharmaceutical ingredients
- specialty hospitals

3. Defense related activities endorsed by the Department of National Defense, Armed Forces of the Philippines, or National Security Council

4. Industrial Value-chain Gaps

- steel
- textiles
- chemicals
- green metals processing
- crude oil refining
- lab-scale wafer fabrication

5. Food security related activities

TIER III includes, but is not limited to, the following activities:

1. Research and development and activities adopting advanced production technologies of the fourth industrial revolution, such as but limited to:

- robotics
- artificial intelligence (AI)
- additive manufacturing
- data analytics
- digital transformative technologies
- nanotechnology
- biotechnology
- production and/or adoption of hybrid seeds
- other industry 4.0 technologies

2. Highly technical manufacturing and production of innovative products and services:

- manufacture of equipment, parts and services
- commercialization of intellectual property
- R&D products and services
- aerospace
- medical devices (except personal protective equipment)
- internet of things (IOT), devices, and systems
- full scale water fabrication
- advanced materials

3. Establishment of innovation support facilities such as, but not limited to:

- R&D hubs
- Centers of Excellence
- science and technology parks
- innovation incubation center
- tech startups, startup enablers, incubators &accelerators; and space related infrastructure

Additional activities that comply with Section 296 of CREATE can qualify under Tiers II and III, provided they are duly endorsed by relevant agencies.

Taxation

The Philippine Constitution mandates that the rule of taxation shall be uniform and equitable, and that Congress shall evolve a progressive system of taxation.

The Republic Act (RA) No. 8424 or the Tax Reform Act of 1997 was passed to promote sustainable economic growth by rationalizing the Philippine Internal Revenue System, including tax administration. Amendments have been made on Tax Reform Act of 1997, the most recent of which are RA No. 10963 or Tax Reform for Acceleration and Inclusion (TRAIN Law) and RA No. 11534 or the CREATE Act.

The TRAIN Law increased the exempt amount of donation which can be used as deduction from the taxable income. It also expanded the Value Added Tax (VAT) and excise tax base.

Under the Tax Reform Act of 1997, a foreign corporation, whether engaged or not in trade or business in the Philippines, is taxable only on income derived from sources within the Philippines.

Tax Law	RA No. 11534 or CREATE Act
Taxpayer	Tax Rate
Domestic Corporation	25% Regular Corporate Income Tax (RCIT)
Domestic Corporation with net taxable income not exceeding Php5 million and with total assets not exceeding P100 million, excluding the land on which the corporation's office, plant, and equipment are situated.	20% RCIT
Resident Foreign Corporations (RFC)	25% RCIT
Non-Resident Foreign Corporations (NRFC)	25% Final Withholding Tax (FWT)

Initial Public Offering (IPO) tax

The IPO tax is imposed on the sale, barter, exchange, or other disposition through the IPO of shares of stock in closely-held corporations. On 11 September 2020, RA No. 11494 or the Bayanihan to Recover as One Act was approved which repealed the imposition of IPO tax as part of the country's economic recovery program in response to the COVID-19 pandemic.

Value-added tax (VAT)

In general, the sale of goods, sale of services and lease of properties, as well as importation of goods are subject to 12% VAT. The Tax Code also provides for transactions that are subject to 0% VAT and VAT-exempt transactions.

Qualifications on Industry and Location under the SIPP

Industry Prioritization	
Tier I	Includes activities that: • Have high potential for job creation; • Take place in sectors with market failures resulting in under provision of basic goods and services; • Generate value creation through innovation, upgrading or moving up the value chain; • Provide essential support for sectors that are critical to industrial development; or • Emerging owing to potential comparative advantage
Tier II	• Activities that produce supplies, parts and components • Intermediate services that are not locally produced but are critical to industrial development • Import-substituting activities, including crude oil refining
Tier III	Activities that include: • Research and development resulting in demonstrably significant value-added, higher productivity, improved efficiency, breakthroughs in science and health, and high-paying jobs; • Generation of new knowledge and intellectual property registered and/or licensed in the Philippines; • Commercialization of patents, industrial designs, copyrights and utility models owned or co-owned by registered business enterprise; • Highly technical manufacturing; or • Critical to the structural transformation of the economy and require substantial catch-up efforts

Fiscal Incentives under the CREATE Act

Registered Business Enterprises (RBEs) may enjoy the following fiscal incentives under RA No. 11534, otherwise known as the CREATE Act: Income Tax Holiday (ITH) granted for a period of 4 to 7 years, followed by the Special Corporate Income Tax Rate (SCIT) of 5% on gross income earned (GIE), in lieu of all national and local taxes, OR enhanced deductions (ED) for 5 or 10 years, and duty exemption on importation of capital equipment, raw materials, spare parts, or accessories.

The period of availment of incentives based on the combination of both location and industry priorities, as determined in the SIPP, shall be as follows:

For exporters:

Location/Industry Tiers	Tier I	Tier II	Tier III
National Capital Region (NCR)	4 ITH + 10 ED/SCIT	5 ITH + 10 ED/SCIT	5 ITH + 10 ED/SCIT
Metropolitan areas or areas contiguous and adjacent to NCR	5 ITH + 10 ED/SCIT	6 ITH + 10 ED/SCIT	7 ITH + 10 ED/SCIT
All other areas	6 ITH + 10 ED/SCIT	7 ITH + 10 ED/SCIT	7 ITH + 10 ED/SCIT

For domestic market enterprises:

Location/Industry Tiers	Tier I	Tier II	Tier III
NCR	4 ITH + 5 ED	5 ITH + 5 ED	6 ITH + 5 ED
Metropolitan areas or areas contiguous and adjacent to NCR	5 ITH + 5 ED	6 ITH + 5 ED	7 ITH + 5 ED
All other areas	6 ITH + 5 ED	7 ITH + 5 ED	7 ITH + 5 ED

For Existing Registered Activities

RBEs granted only with an ITH prior to the effectivity of CREATE Act shall be allowed to continue with its availment for the remaining period.

RBEs that have been granted the ITH but have not yet availed of the incentive upon the effectivity of the CREATE Act may use the ITH for the period specified in the terms and conditions of their registration.

RBEs that have been granted an ITH prior to the effectivity of the CREATE Act and are entitled to 5% tax on GIE shall be allowed to continue to avail of the 5% GIE incentive for 10 years. RBEs availing of the 5% tax on GIE prior the effectivity of the CREATE Act shall be allowed to continue availing the said incentive for 10 years.

Type of Business Structures

Image source: globaldailymirror.com

Corporation

Section 2 of RA No. 11232 or the Revised Corporation Code (RCC) defines a corporation as an artificial being created by operation of law, having the right of succession and the powers, attributes, and properties expressly authorized by law or incidental to its existence.

Multiple shareholders, who can either be natural or juridical persons, own a corporation. The corporation has a personality separate and distinct from its shareholders. The shareholders' liability is only limited to their capital contribution.

Branch

A branch derives its income within the Philippines by carrying out the business activities of the head office.

A branch does not have a separate legal personality from its head office and the laws governing the former are the laws of the country where the latter was organized or established. Thus, any liability that the branch will incur is considered as liability of the head office. Profits remitted by a branch office to the head office are subject to the branch profit remittance tax of 15%, unless a reduction of this rate is provided in applicable tax treaties.

Regional Area Headquarters (RHQ)

RA No. 8756, the law which amends Book III of Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987 defines a Regional or Area Headquarters as an office whose purpose is to act as an administrative branch of a multinational company engaged in international trade, which principally serves as a supervision, communications, and coordination center for its subsidiaries, branches, or affiliates in the Asia-Pacific region and other foreign markets, and which does not earn or derive income in the Philippines.

Regional Operating Headquarters (ROHQ)

Regional Operating Headquarters as defined by RA No. 8756, shall mean a foreign business entity which is allowed to derive income in the Philippines by performing qualifying services to its affiliates, subsidiaries, or branches in the Philippines, in the Asia-Pacific region and in other foreign markets.

The Securities and Exchange Commission (SEC)

The SEC is the government agency responsible for registering, licensing, regulating, and supervising all corporations and partnerships organized in the Philippines, including foreign corporations licensed to engage in business or to establish branch offices in the Philippines. The SEC is mandated to implement the following Philippine laws, among others:

- PD No. 902-A and the Securities Regulation Code (SRC)
- PD No. 902-A, the Reorganization of the Securities and Exchange Commission with Additional Power and Placing the said Agency under the Administrative Supervision of the Office of the President, dealt with the reorganization of the SEC and conferred upon it the power to hear and decide on cases involving corporate fraud, intra-corporate disputes, election cases involving officers and directors, suspension of payments proceedings, and rehabilitation proceedings.
- With the enactment of the Securities Regulation Code, however, Rule 5.2, Title II thereof removed all jurisdiction of the SEC over all cases enumerated above and transferred jurisdiction to hear and decide these cases to the regular courts.
- With the realignment of its powers, the SEC then shifted its focus to the promotion of capital market development, in accordance with the mandate of the Securities Regulation Code.
- Revised Corporation Code of the Philippines (Republic Act No. 11232)
- RA No. 11232 was signed into law on February 21 , 2019. It amends the 38 year-old Corporation Code in an effort to improve the ease of doing business in the Philippines. This law governs the relationship of a corporation with its shareholders from the setting up of the corporation to its dissolution. It provides the basic rules under which a private corporation as an investment vehicle is governed.
- The notable changes made in the Revised Corporation Code include, among others, the removal of the minimum number of incorporators, the removal of the 50-year corporate term, and the introduction of the One Person Corporation - a corporation organized and put up by a single person.

Express Registration

The Electronic Simplified Processing of Application for Registration of Company (SEC – ESPARC) caters application for registration of One Person Corporation (OPC) and Domestic corporations (stock and non-stock) with 2 or more incorporators who may be either natural person, partnership, association or corporations, singly or jointly with others but not more than fifteen (15). The SEC-ESPARC allows the applicant or his duly appointed representative to submit the proposed company name and input details of the articles of incorporation for review of the SEC.

CDC Registration

An entity who wishes to become a locator within the CFZ should first apply for registration. It could either opt to be a regular taxpayer and be issued a Certificate of Registration or choose to been titled to the incentives granted under the law and be issued a Certificate of Registration and Tax Exemption. The entity shall then apply for the approval of its lease/sublease and the issuance of its business permit. After these, registration with the Bureau of Internal Revenue (BIR) and the Local Government Units shall follow. The entity shall also register with the Social Security System (SSS), Pag-IBIG, and PhilHealth.

There are also permits required to be secured from the CDC. These include Environmental Clearance Certificate, Building and Electrical Permit, Building Insurance, Fire Safety Permit, Occupancy Permit, and Sanitary and Health Permit, all of which are subject to renewal.

BIR Registration

The BIR is tasked to administer the collection of internal revenue taxes pursuant to the Tax Code. All taxpayers are required to secure from the BIR a unique Taxpayer Identification Number (TIN) which will be indicated on all tax returns filed with the BIR.

Taxpayers will also have to register with the BIR Revenue District Office (RDO) having jurisdiction over the place of business of the taxpayer. The book of accounts, invoices, and receipts of a taxpayer will have to be registered with the RDO before these are used.

Taxpayers, other than those classified as large taxpayers, within Clark Freeport Zone are under the jurisdiction of RDO No. 21-C. Non-Clark locators that are non-large taxpayers are under the jurisdiction of RDO No. 21-A and 21-B.

The approval process at CDC is simplified in the flowchart below:

General Application Process at CDC

1 SUBMISSION OF Letter of Intent (LOI)
and other requirements Indicated on the Application for Registration

2 LEASING
- Evaluation
- Due diligence
- Negotiation
- Terms Sheet

REGISTRATION
- Fiscal Incentives
- Registration and Monitoring System (FIRMS) Application
- Cost Benefit Analysis (CBA)

3 CDC MANAGEMENT COMMITTEE ACTION
Approval

4 PREPARATION OF Lease Agreements & Sub-Lease Contract
subject to the review of Legal and Finance Departments

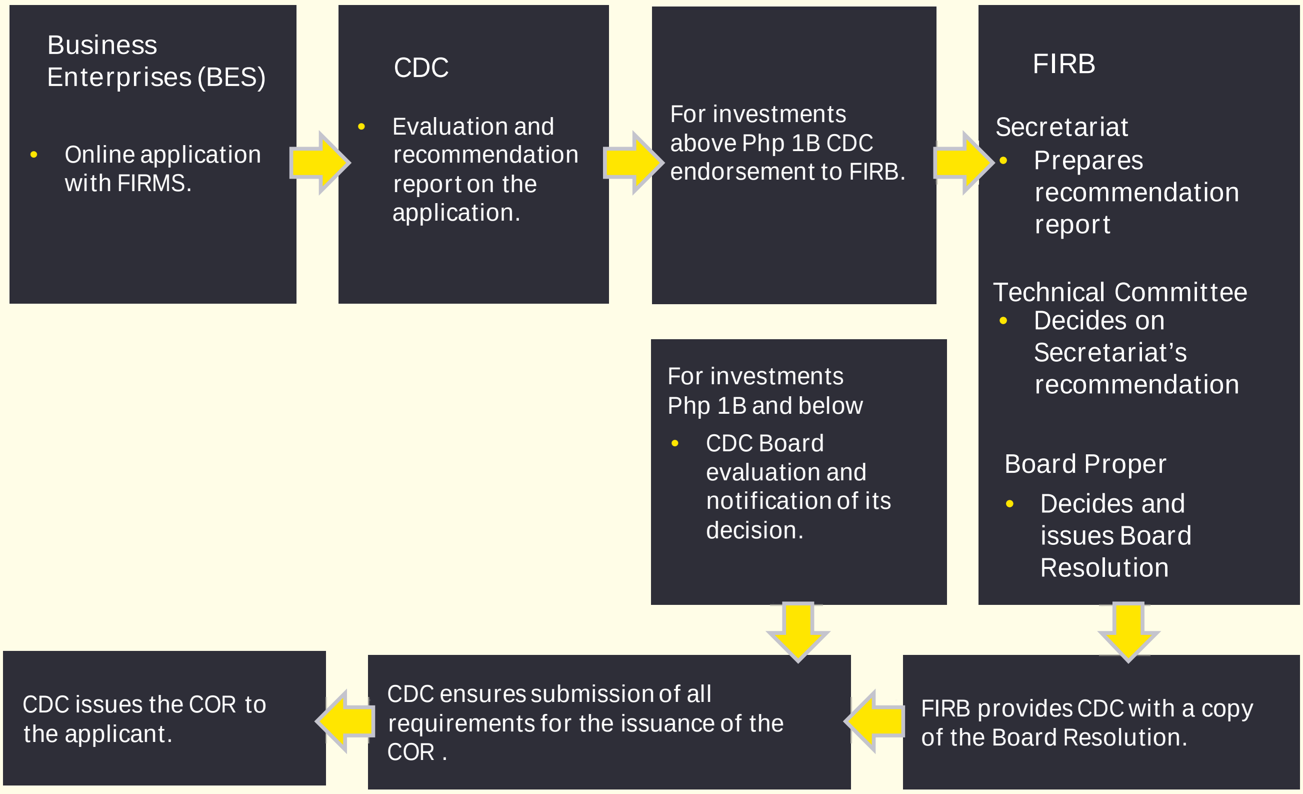
5 CDC BOARD APPROVAL
Final approval by various Board Committees

6 AFTER SALES
Registration and other Compliance

On 11 March 2022, the CDC Board approved changes in the processes and schedule of fees of tax entitlement/fiscal incentives which will take effect immediately to align with the requirements of Republic Act No. 11534 or the CREATE Act.

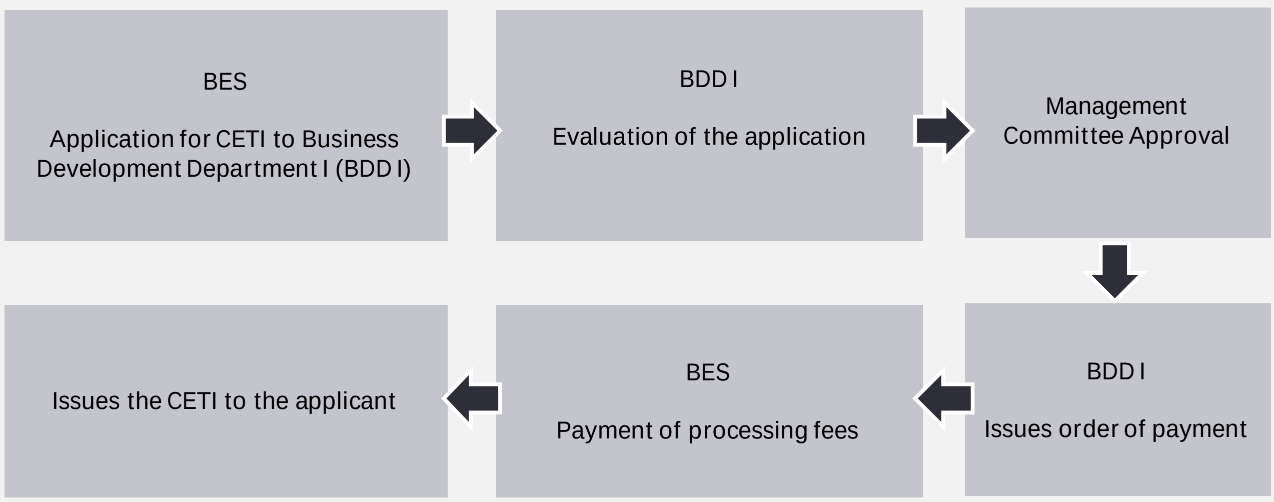
These changes are incorporated in the chart below:

Application for Certificate of Registration (COR)



Source: Memorandum Circular No. 22-04-14 "Annex A-1"

Application for Certificate of Entitlement to Tax Incentives (CETI)



Source: Memorandum Circular No. 22-04-14 "Annex A-1"

All roads lead to Clark

Accessible, strategic location	✓	Ease of doing business	✓
Vast available land area	✓	Investment opportunities and incentives	✓
Increasing economic growth rate	✓	MICE	✓

Development in Clark is progressing at full speed. Proficiently designed and poised to provide investor opportunities and long-term value, Clark continues to be the Philippine's best demonstration of what the country has to offer to businesses, investors, and professionals alike. Striking a balance between work, life, and play, Clark houses leading businesses and industries while at the frontier of the call to a cleaner, greener and decongested way of city life.

The development of New Clark City, the Clark International Airport New Terminal Building, the Manila-Clark High-speed Rail, and the Clark-Subic Cargo Rail, among others, are all proof of the Philippines' selection of Clark as a key economic driver in Central and North Luzon now and in the future.

Investors and Locators Business Organizations

Clark Investors and Locators Association

The CILA is a group of investors and businesses owners formed in an association structure and was organized for the purpose of protecting the interest of its members, assisting locators to become globally competitive. Members and locators of this organization have privileged access to various government offices and service providers within the CFZ.

It was registered as a non-profit organization with the SEC on 22 August 1997 and now has more than 200 registered members representing 90% of the total investments, employment, and export of CFZ comes from CILA members.

CILA's wide network provides the field to connect with key corporations and executives in the economic zone by way of General Membership Meetings and fellowships. Members are kept abreast of everything that is happening in Clark.

Moving forward, CILA commits itself to be at the forefront in upholding the best interest of investors and locators in partnership with the government and its implementing agencies inside the Clark Freeport Zone. As a private organization, CILA will always be a partner in national development.

A Vision for Sustained Growth and Impact for Clark

BCDA and CDC continuously move towards achieving its vision of making Clark a modern sustainable aerotropolis.

To realize its goal, the state-owned corporations laid out its key initiatives which include aggressive marketing to attract more investments, more dependable services for its stakeholders and locators that encourage "ease of doing business," and the integration of more innovative techniques that will complement the development of Clark Smart City Urban Development Project, which is the first project of its kind in the country and is envisioned to be a model for future developments in the CSEZ and adjoining provinces.

This ranked first among 111 entries from 39 countries submitted for evaluation to the K-City Network 2021: Smart City Planning Program of the Korean Ministry of Land Infrastructure and Transportation.

Ultimately, BCDA and CDC aim to uphold the growth and the impact of “inclusive development” that Clark has on its adjoining communities and other areas across the country.

SGV | Building a better working world

SGV is the largest professional services firm in the Philippines. In everything we do, we nurture leaders and enable businesses for a better Philippines. This Purpose is our aspirational reason for being that ignites positive change and inclusive growth.

Our insights and quality services help empower businesses and the economy, while simultaneously nurturing our people and strengthening our communities. Working across assurance, tax, strategy and transactions, and consulting services, SGV teams ask better questions to find new answers for the complex issues facing our world today.

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