

## INDUSTRY PROFILE: ANIMATION

### I. INTRODUCTION

#### 1. About the Industry

Animation is the process of setting inanimate objects in motion. The first animation films date back as early as 1910 when cartoon shorts began showing in theatres. Since then, numerous animation films have been released expanding into more complex films that require a breadth of different skills. Notable animation films include Disney's *Beauty and the Beast*, *Aladdin*, and *Lion King* (fully animated films), *Who Framed Roger Rabbit* and *Space Jam* (live action/animation), and *Toy Story* (first full length 3D animated film).

There are three (3) forms of animation namely: 2D animation, 3D Computer Generated Imagery (CGI), and 3D Motion Capture. Animation services fall under three (3) stages of the animation cycle, pre-production, production, and post-production. Services under pre-production include: character and background designs, storyboard, timelines, scripts, voice recording, sound cutting, props and object designs, conceptual art, among others. Services under production include: implementing layout, backgrounds, animation, scanning, ink and paint, special effects, texture and lighting, to name a few. Finally, post-production offers the following services: color and balancing, converting resolution, formatting, among a range of other services.<sup>1</sup>

#### 2. Local and Global Scenario

In the 1980's, the animation industry in the Philippines was limited to producing entry to mid-level skill service. Projects were limited to traditional hand-drawn animation including penciling, inking, and painting. Work was sent via FedEx and courier, and thus, the amount of work outsourced to the country was limited. The 90's were considered the "Golden Age of Animation"; skills were not limited to entry to mid-level as Filipino animators began working on TV series and feature films. This increased the skill set and broadened the range of Filipino animators. The advent of the Internet also allowed for a more efficient way of sending work as sending output via courier began to decrease. In 2000 onwards, the Animation landscape continued to change, and Filipino animators have gone from entry level to doing higher function and more complicated work. Filipino animators currently have the ability to provide services from pre-production to post-production.

With a long-standing history in animation services and a strong cultural affinity with Western countries, US companies specifically, have long preferred the Philippines as an outsourcing destination when it comes to animation. The country is considered to have a first mover advantage in the Asian region. Filipino animators have worked on popular cartoons and animated films such as: *Adams Family*, *Captain Planet*, *Dragon Ball Z*, *Finding Nemo*, *The Incredibles*, *The Jetsons*, *The Mask*, *Scooby Doo*, and *Tom & Jerry*. Entertainment companies such as Hanna Barbera, Marvel Comics, Walt Disney, and Warner Brothers has outsourced many projects to Philippine-based animation companies.<sup>2</sup>

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<sup>1</sup> Animation Council of the Philippines, Inc. (ACPI) 2012 presentation

<sup>2</sup> Tholons Report: *The Philippine Animation Industry Landscape*, May 2008

Animation outsourcing also applies to creating graphics for the video game industry, an industry that was valued at US\$ 25.1 billion in 2010.<sup>3</sup> Filipino animators have worked on games for the following gaming platforms: Nintendo, Sega, Game Boy, and Sony Playstation.

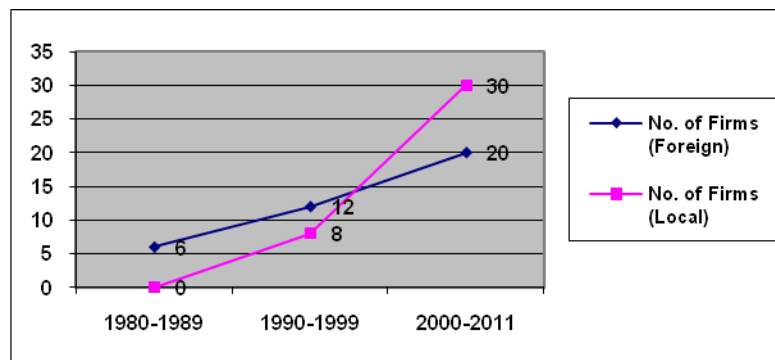
Despite being one of the first countries in the region to provide animation services, the Philippines has a small market share compared to its competitors: China, India, Singapore, and South Korea. Service exports in animation outsourcing provide to the following major markets: US, Europe, Japan, and Australia.<sup>4</sup>

## II. INDUSTRY PERFORMANCE AND PROJECTIONS

### 1. Number of Firms

According to the Animation Council of the Philippines, Inc. (ACPI), the number of animation firms in the Philippines has steadily increased from 1980 to the present. The Global Economic Crisis, the growing quality of labor force in developing countries like the Philippines and India, and factors including labor arbitrage and cost leverage, all contribute to the growth of outsourcing. Figure 1 shows the growth in terms of number of animation companies operating in the Philippines from 1980 to 2011.<sup>5</sup> It is important to note that over the years, the trend shows an increase in locally owned animation companies compared to virtually all foreign-owned animation companies in the 1980's.

*Figure 1: Number of Animation Firms in the Philippines (1980-2011)*



### 2. Sectors Served

Major sectors that the animation outsourcing industry serves include:

- a. Film – the US film industry is valued at over USD 10 billion in ticket sales alone. Animation services in film include storyboard, character and background designs, conceptual art, sound cutting, layout, backgrounds, animation, special effects, color and sound balancing, among a range of other services.

<sup>3</sup> Industry Facts, Entertainment Software Association, <[www.thesa.com](http://www.thesa.com)>

<sup>4</sup> Tholons Report: *The Philippine Animation Industry Landscape*, May 2008

<sup>5</sup> Animation Council of the Philippines, Inc. (ACPI) 2012 presentation

Animation studios engaged in a film project may work all three stages from pre-production, production, and post-production, or just one or two of the stages. Once a movie is released in DVD, animation services are also required to work on miscellaneous features. Philippine animation companies have worked on films such as *The Incredibles* and *Finding Nemo* among many other box-office movies.

- b. Television – cartoons and animated TV series require animation services from pre-production to post-production. Although TV shows are less intensive than TV projects, the range of services required is just as extensive. The Philippines has long serviced the TV industry dating back to the 1980's. Companies such as Walt Disney and Hannah Barbera have outsourced many animation functions (mainly 2D) to Filipino animators who have worked on such classic cartoons such as Tom & Jerry, The Adams Family, and Scooby Doo.<sup>6</sup>
- c. Videogame – A report published by PricewaterhouseCoopers (PwC) projected that the video game industry will reach over US\$ 68 billion (worldwide revenue) by 2012. Since the release of updated leading platforms namely the Playstation 3, Xbox 360, and Nintendo Wii system, the video game industry has seen a sharp increase in sales, with regards to game sales, consoles, and accessories. The only sector to see a slight decline in sales is the PC gaming sector, from US\$ 3.8 billion in 2008, to US\$ 3.6 billion projected in 2012. Animation is a key function in game development as storyboarding, character design, background design, after effects among others, contributes to the overall gaming experience. Animation companies in the Philippines have created graphics for many games in the aforementioned popular consoles such as the Playstation and Xbox.<sup>7</sup>
- d. Applications (Apps) – the Apple App store has sold 4 billion apps as of April 2010. Total revenues from apps were reported to be just under US\$ 10 billion in 2009, and projected to reach US\$ 32 billion by 2015. The incremental growth of the Application industry for new hardware platforms (pads and smartphones) provides many opportunities for companies. Animation companies in the Philippines, together with Game Development companies, have collaborated on games for said platforms, and understand the potential apps. Creating app games are less complex than videogames, which fit with many gaming companies in the Philippines' competencies in developing such type of games. Gaming companies rely on animators to conceptualize much of the art (background, character, icons, etc) that goes into apps and app games.<sup>8</sup>

### 3. Global Markets Served

According to Tholons, the biggest markets served by the Philippines include the US, Japan, Europe, and Australia. In 2005 and 2006, the aforementioned markets (combined) accounted for 75% and 92% (respectively) out of the total sales export in the Philippine animation industry.<sup>9</sup>

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<sup>6</sup> The Asian Public Intellectuals, *Animation Education In A Competitive Global Animation Landscape: The Philippine Context*, September 2007

<sup>7</sup> Ars Technica, *Gaming Expected To Be A \$68 Billion Business By 2012*, 2009, <<http://arstechnica.com/gaming/news/2008/06/gaming-expected-to-be-a-68-billion-business-by-2012.ars>>

<sup>8</sup> Juniper Research, *Press Release: Mobile Apps Revenues to Exceed \$30 billion by 2015*, Juniper's Latest Mobile Apps Research finds, <<http://juniperresearch.com/viewpressrelease.php?pr=189>>

<sup>9</sup> Tholons Report: *The Philippine Animation Industry Landscape*, May 2008

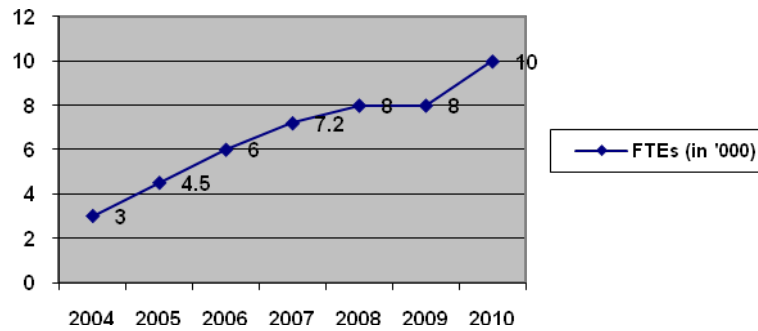
#### 4. Economic Contribution of the Animation Industry

A study conducted by the Cultural Center of the Philippines (CCP), National Commission for Culture and the Arts (NCCA), with the ABS-CBN, entitled Philippine Creative Industries Mapping: Towards the Development of a National Strategy, stated that the value of world exports of creative industry products and services totaled 227.4 US\$ billion in 1996, and has grown to 424.4 US\$ billion in 2005, capturing 3.4% of world trade.<sup>10</sup>

##### 4.1. Employment and Global Market Share

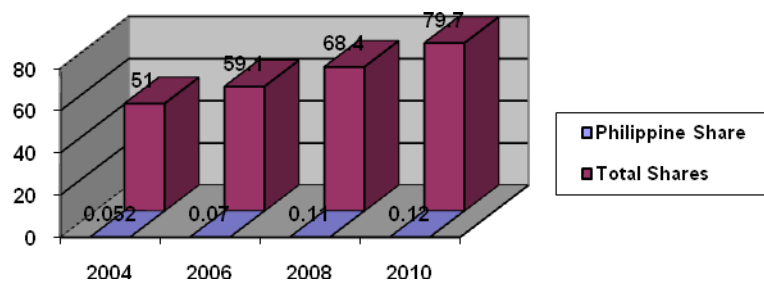
In contrast to the call center sub-sector of BPO, the animation industry employs a small fraction of the total BPO sector. In 2010, the animation industry reported 10,000 FTEs compared to 344,000 FTEs in the contact center industry. The nature of work in the animation industry is more specialized, and therefore, presents a challenge in terms of providing a large talent pool (tertiary graduates). Figure 2 shows the growth trend in employment for the animation industry.<sup>11</sup>

Figure 2: Employment



In 2010, the global market was estimated to have been at close to 80 US\$ billion (79.7). According to ACPI, the Philippine share was 120 US\$ million (0.15% of the global market share). Considering the capability of Filipino animators, and experience of Philippine based animation companies, the Philippines should have a much bigger share of the global market. Figure 3 shows the total global share versus the Philippine share.<sup>12</sup>

Figure 3: Global Market Share (in US\$ billion)



<sup>10</sup> Philippine Creative Industries Mapping: Towards The Development Of A National Strategy, <<http://www.slideshare.net/mysanslide/philippine-creative-industry-final-april29-6736729>>

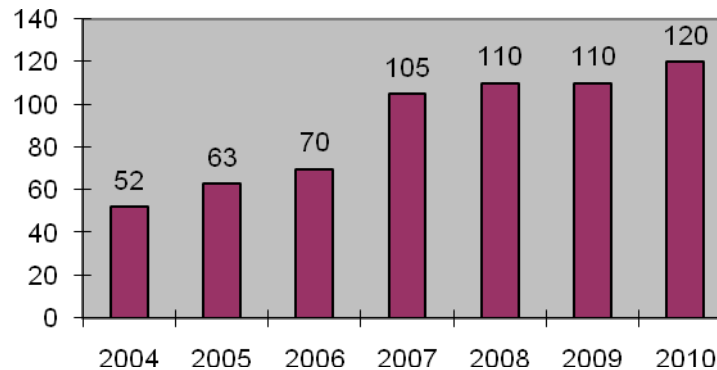
<sup>11</sup> Animation Council of the Philippines, Inc. (ACPI) 2012 presentation

<sup>12</sup> NASSCOM Report 2007

## 4.2. Revenue and GDP Contribution

Since 2004, the animation industry in the Philippines has seen a steady increase. As previously mentioned, the emergence of the Internet has played a vital role in increasing the number of output that can be sent by a company. More importantly, connecting with employees in animation studios in the Philippines, from the US, Europe, Japan, or Australia is much more accessible than in the 1980's that the quality of output can be measured more easily and corrected must faster than before. Figure 4 shows the growth trend of revenue in the animation industry in the Philippines from 2004 to 2010.<sup>13</sup>

Figure 4: Export Revenue (in US\$ million)



According to the study, the contribution of creative industries to gross domestic product (GDP) and gross national product (GNP), in less developed countries (such as the Philippines) is typically at 5% and 7% respectively, and can grow to 7% to 10% as countries improve their economies. Animation accounts for only a small percentage of the creative industries and in 2008 reported 0.24% of the total Philippine exports.

According to the study: Philippine Creative Industries Mapping: Towards the Development of a National Strategy, the contribution of creative industries to the gross domestic product is estimated to be at 5.37% as of 2006.<sup>14</sup> Although there is no exact figure as to the share of the animation industry in the creative industries, majority of the industries require animation in some shape or form.

## 5. Industry Potentials

### 5.1. Growth

The animation industry has had a presence in the Philippines for three (3) decades and continues to grow. The growth in the industry (number of companies) is shown in the Table 1 below.<sup>15</sup>

<sup>13</sup> Animation Council of the Philippines, Inc. (ACPI) 2012 presentation

<sup>14</sup> Philippine Creative Industries Mapping: Towards The Development Of A National Strategy, <<http://www.slideshare.net/mysanslide/philippine-creative-industry-final-april29-6736729>>

<sup>15</sup> Animation Council of the Philippines, Inc. (ACPI) 2012 presentation

Table 1: Animation Industry Growth (Number of Stakeholders)

|                                    | 1980-1989 | 1990-1999 | 2000-2011 |
|------------------------------------|-----------|-----------|-----------|
| <b>Number of local companies</b>   | N/A       | ~ 8       | ~ 25-30   |
| <b>Number of foreign companies</b> | ~ 4-6     | ~ 12      | ~ 15-20   |
| <b>Animation schools</b>           | N/A       | N/A       | 23        |
| <b>Suppliers for animation</b>     | N/A       | N/A       | ~ 10-15   |

The IT-BPO industry is expected to grow between 680,000 (conservative case) to 1,300,000 (accelerated case), with a base case of 900,000 direct employees by 2016. The animation industry is projecting a total of 25,000 employees by 2016 according to ACPI's industry overview 2016. This accounts for 2.7% of the projected number of direct employees in 2016.

## 5.2. Net Value Add

Filipinos have always been considered creative and often excel in Art-related fields. The field of Animation is no exception. Western companies prefer to outsource to the Philippines compared to China because Filipinos are more creative and can identify more closely with Western culture, even though China has the up-to-date technology. Strong command of the English language allows Filipinos to comprehend what the customer wants (for example, if the director wants a character to look downtrodden, Filipino animators can deliver the desired output that other animators in other Asian countries struggle with). This is a value add to customers because it does not come at an additional cost, and increases the value of outsourcing to the Philippines.

## III. PHILIPPINES VALUE PROPOSITION

### 1. Presence of IT Zones

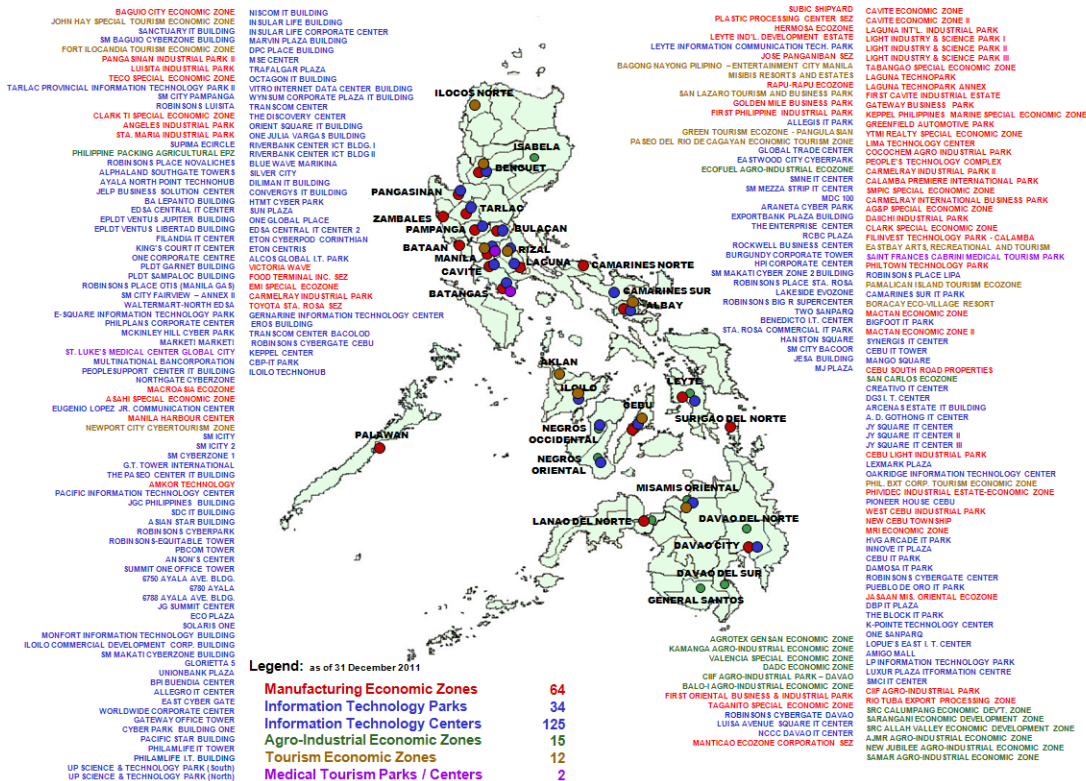
The Philippines is ideally located at the heart of Asia, only a few hours away from major Asian cities: Hong Kong, Singapore, Tokyo, Kuala Lumpur, among others.

The Philippines offers many ideal locations throughout the country for animation outsourcing. The Philippine Economic Zone Authority (PEZA), a national investment Promotion Agency (IPA), has established IT parks/centers and accredited buildings where creative industries (such as animation companies) can set up shop and are provided with the necessary infrastructure and systems support for them to function at a world-class level. As of December 2011, there are 252 economic zones (Figure 5) registered with PEZA out of which 159 zones are declared as IT Parks or IT Centers or buildings.<sup>16</sup>

*PEZA Economic Zones (including 159 IT Parks / Centers)*

<sup>16</sup> Philippine Economic Zone Authority (PEZA)

# 252 OPERATING ECONOMIC ZONES \*



## 2. Redundant Telecom Infrastructure

The telecom industry is also one of the more robust sectors in the country. Over the past two decades, the sector has witnessed substantial investment in infrastructure, driven initially by the Service Area Scheme for fixed-line development in the 1990s then followed by the burgeoning mobile telephony market, following by a surge in interest in wireless broadband services. More recently, the boom in BPO activities spurred further investments from telecom networks to upgrade their voice and data capacity both for domestic and international connectivity.

The government has taken steps for the continued growth of the industry by ensuring robust and redundant telecommunications network is in place. The infrastructure includes satellites, cable and domestic fiber optic network (DFON), among others. There are several submarine networks that serve as critical components in the BPO industry, providing reliable and diverse links between the Philippines and the rest of the world.

There are now seven submarine cable systems landing in the Philippines, including APCN, APCN-2, C2C, EAC, TGN-IA, AAG and Guam-Philippines, distributed in five cable landing stations in Batangas, Ballesteros, Capepisa, La Union and Nasugbu.

The good telecommunications infrastructure, both for voice and data makes the country the ideal location for animation outsourcing, as compared to other countries in the Asia Pacific region. Animation companies in the Philippines and abroad can connect at world-class speed to discuss important business decisions. The cost of bandwidth has also decreased

considerably over the last couple of years. In addition, the presence of a number of carriers for telecommunications services assures a solid competitive landscape for outsourcing buyers. A number of operators have moved forward on putting Next Generation Networks (NGNs). The major operators – PLDT and Globe Telecom – continue to buy into regional and international submarine cable systems.<sup>17</sup>

### 3. Human Resources

According to the Animation Council of the Philippines, Inc. (ACPI), the industry aims to produce 25,000 industry ready graduates by 2016. The estimated number of artists employed in the industry is 10,000 as of 2010, which has increased from 3,000 in 2004.<sup>18</sup> Government agencies in education such as Commission on Higher Education (CHED), Department of Education (DepEd), and the Technical Education and Skills Development Authority (TESDA), have implemented programs to provide the necessary training and incentives to entice students to explore potential careers in the field of animation. ACPI in coordination with TESDA has also created “regulatory standards for academic requirements associated with two-year animation courses”, TESDA will implement “training regulations, courseware, and assessment” for schools offering animation courses. These initiatives ensure that students are provided with proper training in order for them to be industry ready upon graduation.

Table 2 shows the number of Fine and Applied Arts graduates for the following academic years.<sup>19</sup>

*Table 2: Fine and Applied Arts Graduates (2000-2001, 2005-2006, 2009-2010)*

| Discipline            | 2000-2001 | 2005-2006 | 2009-2010 |
|-----------------------|-----------|-----------|-----------|
| Fine and Applied Arts | 1,323     | 1,749     | 2,361     |

### 4. Costs and comparative advantage

#### 4.1. Costs:

The Philippines remains one of the favorite destinations for outsourcing due to cost advantage. Everest Global, Inc. reported that the Philippines is number two (2) in terms of cost compared with other leading service providers. Over the years, software and hardware have also become more affordable, and the cost of bandwidth (connectivity) has also become cheaper which favors animation outsourcing. Currently, new animators in the country earn (on average) from US\$ 250 to US\$ 300, compared to other countries that offer well above this figure.<sup>21</sup>

Q: is there a graph we can include here to support Everest’s report; or is there a similar graph for non-voice BPO cost per FTE like what you put in the contact center profile?

A: there are no figures from Everest particularly on the animation industry, nor do they have a comparison of costs per country. Of all the materials, I’ve only found a quote from the Asian Public Intellectuals (API) stating that it costs ~ 250 to 300 US\$ per FTE in the Philippines (much cheaper than its competitors).

<sup>17</sup> PLDT Alpha Enterprises

<sup>18</sup> Animation Council of the Philippines, Inc. (ACPI) 2012 presentation

<sup>19</sup> National Statistics Council Board, Statistically Speaking, < [http://www.nscb.gov.ph/headlines/StatsSpeak/2008/031008\\_pinoy\\_graduates.asp](http://www.nscb.gov.ph/headlines/StatsSpeak/2008/031008_pinoy_graduates.asp)>



#### 4.2. Service oriented and skill set:

The Philippines has a high literacy rate at over 90%, with an estimated 70% of the population proficient in the English language. Due to its history, the country also has an affinity to Western culture with Spanish and American influence evident throughout the culture. With a high literacy rate, companies outsourcing in the Philippines can assure that Filipino workers comprehend the detail of the tasks delegated to them. A strong affinity with Western culture also minimizes the possibility of errors due to misunderstanding and differences in culture.

Filipino animators also have a history in the animation industry having been an outsourcing destination for such services since the 1980's. With a first-mover advantage in the region, companies engaged in animation outsourcing have industry knowledge that allows them to deliver time-tested results that clients demand. Filipinos are also known to be very creative which fits perfectly in the animation industry.

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Most importantly, Filipinos are known to be highly service oriented with a desire to please. Many clients are satisfied with the output that Philippine-based / Filipino companies with a dominant Filipino workforce.

## 5. Support Institutions

Another contributory factor to the continued growth of the animation sub-sector is the effort of various stakeholders from both public and private sectors, as follows in implementing measures that can further improve and increase competitiveness:

### 5.1. Government

The Philippine Government has been supportive of the industry and has worked closely with ACPI to strengthen the industry and increase its global competitiveness. The following agencies have worked with ACPI in various initiatives to help the industry achieve its goal in furthering the Philippines as an animation-outsourcing destination:

Department of Foreign Affairs (DFA) and Department of Trade and Industry (DTI)

– A trade agreement was signed between Canada and Philippines for Animation Co-production; A similar agreement was also signed with Singapore; [and recently signed a Memorandum of Agreement was signed for the Creative collaboration in “Asiagraph”, Japan with Asia economies](#)

Center for International Trade Expositions and Missions (CITEM) and DTI (Bureau Exports and Trade Promotions / BETP)

- Attend international animation conferences, exhibits, and trade fairs and provide assistance on marketing, acquiring of booths and pavilions for animation company exhibitors;

DTI, BOI and Philippine Economic Zoning Authority (PEZA)

- Signing of Memorandum of Agreement (MOA) of incoming trade investments for the Animation sector

BOI

– [Supports](#) the Capability building of the industry in terms of production management and in-depth learning about finance;

DTI and PHILEXIM

- Implement loan and investment programs for industry associations to be used for expansion, promotions, projects and development;

National Commission for Culture and Arts (NCCA) and Film Development Council of the Philippines (FDCP)

– Promote and support original content creation for IP and branding of Filipino Animation.

### 5.2. Academe

The following stakeholders from the academe and their initiatives are also helping achieve the goal of furthering the Philippines as an animation-outsourcing destination:

Commission on Higher Education (CHED)

– ACPI and CHED had collaborated to provide an optional Animation component for IT programming courses;

Department of Education (DepEd)

– Included in High School curriculum (for Technical Vocational High Schools or Tech Voc) basic visual graphic arts design and basic animation;

Technical Education and Skills Development Authority (TESDA)

– Similar to CHED initiatives, TESDA and ACPI industry experts co-developed animation short courses wherein candidates are given a National Certification upon passing the assessment test.

### 5.3. Associations

The Animation Council of the Philippines, Inc. (ACPI), a member of the Business Process Association of the Philippines (BPAP), is the lead association in charge of promoting the Philippine animation industry both domestically and internationally. ACPI has worked with government agencies to help promote the animation industry by sending delegates to Animation conferences, forums, exhibits, trade fairs, as well as helping local animation companies join trade expos and setting up booths or as a collective pavilion. ACPI also hosts a yearly festival called, “Animahenasyon”.

As part of promoting the industry, ACPI works with academic institutions to address issues that concern quality of human resources in the field. As mentioned above, ACPI has worked with CHED, DepEd, and TESDA in the creation, implementation, and improvement of the animation curriculum that is currently offered in 23 animation schools throughout the country.

**Q: Are there initiatives from above stakeholders to address issue of training tertiary graduates who are not yet “industry ready” as well as need for more animation schools (only 23) especially outside Metro Manila?**

**A: The graduates cannot be fully “industry ready” because employers will always require new hires to do some training (regardless of what field), to orient new animators (even in other BPO fields where the work is quite simple, there will still be 2-3 months of training) I think its been mentioned above that ACPI works with TESDA in the implementing and improvement of curriculum, that would be the key to closing the knowledge gap. As for the expansion outside MM, one of the big three schools in Animation is Ateneo de Naga. It depends on whether the city would like to focus on animation because ultimately, support from the city is needed to promote a specific industry.**

### 6. Other unique advantages over other countries

Tourism is one factor that distinguishes the Philippines from other BPO destinations. Many foreign nationals look forward to coming to the Philippines due to the country’s many tourist destinations, from beaches, diving sites, to hiking trails, and natural wonders such as the Palawan underground river, which is one of the new “Seven (7) Wonders of Nature”. With 7,107 islands, the Philippines has something to offer for everyone, from metropolitan dwellers to outdoor lovers which makes the country an even more attractive place for investors looking for work-life balance.

#### **IV. GOVERNMENT SUPPORT**

##### **1. Enabling Laws and Incentives**

###### **1.1. EO 226 (Omnibus Investments Code of 1987)**

Under EO 226, The Board of Investments (BOI), an attached agency of the Department of Trade and Industry, is tasked with identifying priority sectors for investments through the formulation of an annual Investment Priorities Plan (IPP). Since the beginning of the BPO sector in the Philippines, the creative industries continue to be listed in the annual IPP. Its inclusion has helped the industry and the country achieve its goal of becoming one of the leaders in voice-BPO. Investors in preferred activities as listed in the IPP (including animation) are provided with fiscal and non-fiscal incentives.

###### **1.2. RA 8748**

This Republic Act authorizes the Philippine Economic Zone Authority (PEZA) to grant fiscal and non-fiscal incentives for local and foreign investors engaged in preferred activities as listed in the current IPP, such as animation (creative services). The PEZA, also an attached agency of the DTI, is a government corporation set up to oversee the promotion of world-class economic zones including IT Parks and IT Centers.

###### **1.3. RA 7227 (Bases Conversion Devt. Authority)**

Republic Act 7227 aims to convert the use of Clark and Subic military reservations into a developed property both for civilian use and the private sector (alternative and productive use).

###### **1.4. R.A. 7042 (Foreign Investment Act or FIA)**

Among the priority sectors for ICT councils is the BPO sector. ICT councils work to establish IT zones or incubation areas where BPO companies can engage in business. BPO has become a vital sector in terms of employment, not only in the NCR region, but also throughout the country. The identified Next Wave Cities prove that the work of ICT councils can lead to generate thousands of jobs, as well as, the improvement of infrastructure in the region.

The government incentives under EO 226, RA 8748, and RA 7227 are as follows:

| INCENTIVE   | BOI (Executive Order No. 226, as amended)          | PEZA (Republic Act No. 7916, as amended)   | CDC/SBMA (Republic Act No. 7227 Bases Conversion Dev't Authority)  |
|---|--|--|--|
| Income Tax Holiday (ITH)                                    | 4 – 6 years (max of 8 years)                       |  | Exempted from all local and national taxes – value-added taxes, franchise taxes, excise and ad valorem taxes |
| ITH Bonus   | 2 years provided the firm meets certain conditions |  |  |
| Special Tax Rate of 5% on Gross Income                      |  | Special Tax Rate of 5% on Gross Income   |  |
| Importation of Capital Equipment, Spare Parts, and Supplies | 0% duty-free                                       |  | Tax and Duty-Free  |
| Wharfage Dues, and Export Tax, Duty, Impost, and Fees       |  | Exempted   | None   |
| Simplification of Customs Procedures                        |  | Available  |  |
| Employment of Foreign Nationals                             |  | <ul style="list-style-type: none"> <li>Foreign nationals may be employed in supervisory, technical or advisory positions within 5 years from a project's registration, extendible for limited periods. The positions of president, general manager, and treasurer or their equivalents, of foreign-owned registered firms may be retained by foreign nationals for a longer period.</li> <li>Foreign employees may bring with them their spouses and unmarried children under 21 years of age</li> </ul> |  |

Investors that choose to enter the Philippines as a Regional Operating Headquarters (ROHQ) are provided with the following incentives under EO 226.

| INCENTIVES FOR ROHQ   |
|---|
| Subject to preferential income tax rate of 10% in taxable income  |
| Subject to 12% VAT  |
| Multiple entry visa valid for three (3) years (including spouses and unmarried children below 21 years old)   |
| Non-immigrant visa within 72 hours from submission of documents   |
| Exempt from securing ACR  |
| Travel tax exemption (personnel and dependents)   |
| 15% withholding tax on compensation income applicable to personnel holding managerial and technical positions subject to: <ul style="list-style-type: none"> <li>Position and function test</li> <li>Compensation threshold test</li> <li>Exclusivity test</li> </ul> |

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