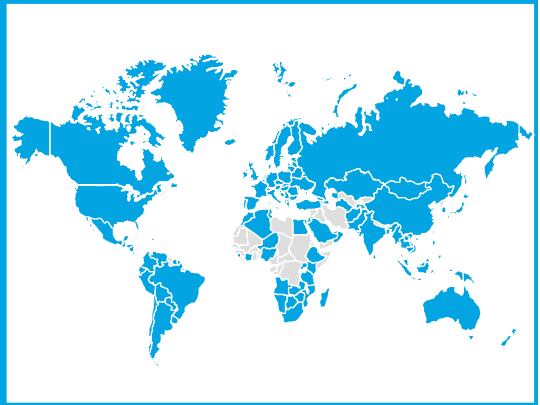


# EXPATRIATES

## Philippines

### Tax facts for international assignees



#### INCOME TAX: WHO IS LIABLE

Under the Philippine tax setting, expatriate may be classified into three namely: Non-Resident Citizen, Resident Citizen, and Overseas Contract Worker (OCW).

Non-resident citizens are citizens of the Philippines who are required to travel/work abroad due to the nature of his/her work and he/she has to be physically present abroad in order to render their services. This has been clearly enunciated by section 22 of Philippine National Internal Revenue Code (NIRC) which defines that a Non-Resident Citizen means “a citizen of the Philippines who works and derives income from abroad and whose employment thereat requires him to be physically present abroad most of the time during the taxable year”. The phrase “most of the time” as has been explained by Section 2 of Revenue Regulations (RR) No. 1-79 is a presence outside the Philippines for not less than 183 days during the taxable year.

On the other hand, Overseas Contract Worker is one who works abroad on account of a contract and duly registers in Philippine Overseas Employment Agency (POEA) as such and has secured his Valid Overseas Employment Certificate (OEC) . Unlike a non-resident citizen, OCW status is not dependent on length of stay abroad, he shall remain as OCW even though his work contract extends less than 183 days provided that prior to his assumption of international duty he has registered in POEA and has taken the said certificate.

Hence, a Filipino national working in a subsidiary corporation located in the Philippines who would be sent to work in its parent corporation based abroad as seconded employee for period less than 183 days during the taxable year will be regarded as resident citizen for tax purposes.

It is important to determine the proper classification of a person assigned abroad in so far as the tax liability is concerned, because the extent of his tax due depends on his classification. Under the said NIRC, a non-resident citizen or OCW is subject to tax only on his income from Philippine Sources. While a resident citizen is taxed on their worldwide income.

Notwithstanding the international assignee’s classification, his taxable income shall be subject to the graduated rates of 5% to 32%.

#### BREAKING RESIDENCY - EXIT PROCEDURES

There is no procedure for expatriates’ exit from the Philippines. However, should there be income during the time of exit, said income must be declared and paid on or before 15<sup>th</sup> of April of the following year.

## INCOME TAX RATES AND SOCIAL SECURITY CONTRIBUTIONS

### Income tax rates

Amount of net taxable income (PHP)		Tax rate
Over	But not over	
0	10,000	5%
10,000	30,000	500 + 10% of the excess over 10,000
30,000	70,000	2,500 + 15% of the excess over 30,000
70,000	140,000	8,500 + 20% of the excess over 70,000
140,000	250,000	22,500 + 25% of the excess over 140,000
250,000	500,000	50,000 + 30% of the excess over 250,000
500,000		125,000 + 32% of the excess over 500,000

### Social tax rates

Coverage with the social security is required for all individuals working in the Philippines. There are however countries with which Philippines has social security agreements, such as Austria, Belgium, Canada, France, Korea, Netherlands, Spain, Switzerland and United Kingdom. The nationals of the abovementioned countries must file an exemption with the social security office.

For further information and to register for future updates contact [expat@bdo.global](mailto:expat@bdo.global)

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