

Branch Office Philippines: Control, Liability, Taxation and Process

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Expanding in the Philippines?

A branch office Philippines offers full control and 100% foreign ownership, but also has limitations.

A branch office – along with a [representative office](#) – is a popular option, and should be considered when a foreign company is [setting up a business in the Philippines](#).

In this article, I discuss Branch Offices in detail:

- Branch Office Philippines: Liability, Control and Ownership Concerns
- Branch Office Philippines Advantage and Disadvantages
- SEC Branch Office Requirements: Capitalization, [Resident Agent](#), Address as well as the actual process of how to open a branch office in the Philippines
- Philippine Branch Office Taxation
- Branch Office Philippines legal requirements and the step-by-step registration process.

Before discussing branch offices, let us first understand how they differ from other types of entities.

Branch Office Philippines vs Other Entities

Item	Branch Office	Representative Office	Domestic Corporation
Ownership, subject to the negative list	100% Foreign owned	100% Foreign owned	100% Foreign owned if export-oriented; otherwise 40% foreign owned
Liability	Shared with Parent	Shared with Parent	Limited Liability
Nature of Business	Same as Parent	Same as Parent	Can be different
Can have Philippine Revenue?	Yes	No	Yes
Allowed Activities?	All	Support Activities Only	All
Taxation	All	No Sales and Income tax	All

Branch Office Philippines Comparison Table

As you can see from the table Branch Office Philippines, different structures have different features.

The right entity to enter the Philippine market often depends on your goals and what you value.

So, the different structures have to be weighed so that the different factors of control, taxation, and liability are all considered.

This is an extensive, detailed read for foreign companies who are seriously considering [setting up a business in the Philippines](#) – you may also [contact us](#) for an appointment with a [corporate lawyer in the Philippines](#) for additional questions.

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What is a Philippine Branch Office?



A Branch Office is a foreign owned entity in the Philippines allowed to sell to the local market.

A branch office is an extension of a foreign company that operates in the Philippines.

It is 100% foreign-owned, can engage in profit-generating activities, and shares liabilities with its parent company.

It is often chosen when a foreign company enters the Philippine market, along with other popular options such as a Representative Office and a [Domestic Corporation](#).

Branch Office Philippines Control, Liability, Taxation and Process

Control

Ownership



Nature of Business



Taxation

Income Tax



Vat



Withholding Tax



Profit Remittance Tax



Liability

Parent Company Liability: Liable for all debts and obligations of the branch office.



No Limited Liability: Does not provide limited liability protection.



Process

Name Verification and Reservation



Application for a License to Do Business



Physical Location



Registration with the Bureau of Internal Revenue (BIR)



As you can see, the main considerations when setting up an entity in the Philippines are liability, control and taxation among others.

It is important to determine what the most important consideration is.

For some, the most important is to maintain 100% foreign ownership and so that guides the incorporation process.

For others, limiting liability solely to the Philippine entity is of primary concern and that means that a domestic corporation instead of a branch or representative office is the right direction.

And of course, everyone is concerned with the tax levied on the entity as well as the capitalization cost.

I'll provide an in-depth discussion of the most important considerations down below.

Let's first start with the advantages and disadvantages of a branch office.

Branch Office Philippines: Advantages and Disadvantages



A Branch Office's Advantages are that it can be 100% foreign owned but a main disadvantage is that it shares liability with its parent.

Opening a branch office in the Philippines presents both promising opportunities and practical considerations, however, along with these opportunities come certain disadvantages.

Let's go through some of a Branch Office Advantages and Disadvantages below.

Branch Office Philippines: Advantages

100% foreign ownership and control

- A Branch Office Philippine is 100% owned by the foreign entity because it is an extension of that entity.
- As such, ownership and control rest in the parent.
- Since it is just an extension, there is no need to draft new AOs or By-laws and new board.
- It is thus a simpler organization.
- The 100% foreign ownership feature makes a branch office in the popular option, but always check the negative list as some industries have [foreign ownership](#)

Ease of Governance

- A Branch Office does not require a board since it is an extension of the parent.
- A Branch Office only requires a Representative Agent and so many of the common corporate housekeeping items are not needed.
- This simpler structure makes governance much easier.

Can generate revenue from the Philippine market

A branch office is allowed to earn income from its operations in the Philippines unlike a representative office.

A branch office considered “doing business” under Republic Act No. 7042 (Foreign Investments Act).

It is subject to Philippine taxes, including:

- 25% corporate income tax
- 12% VAT
- 15% profit remittance tax (if applicable under tax treaties)
- Withholding taxes, etc.

A branch office may enter into contracts with local entities in its own name, as long as the activity is within the scope authorized by its SEC registration.

Branch Office Philippines: Disadvantages

Parent company is liable for debts and obligations

- Because of its structure as an extension, a Philippine Branch Office shares liability with its parent.
- Because of this, the foreign parent is liable for all the debts and obligations of the branch office.

Limited to the same line of business as its parent

- Also drawing from its nature as an extension, the branch office must have the same line of business as its parent.

Requires \$200,000 minimum capital

- Branch Office Capitalization in the Philippines requires USD 200,000 as starting capital.
- There are exemptions such as when there are at least 50 direct employees or when the line of business is considered advanced technology as certified by the DOST.
- In these instances, capitalization can be lowered to USD 100,000.
- Now we already know the major pros and cons, I will now discuss thoroughly one by one the key features of a Branch Office in the Philippines.

A Philippine Branch Office can be 100% Owned by the Foreign Company.



A Branch Office can be 100% foreign owned.

As an extension of a foreign corporation, a Branch Office in the Philippines is 100% owned and controlled by the foreign company.

If the ownership of the foreign company is 100% owned by foreign nationals, then there are certain industries that the Branch Office cannot enter into.

These restrictions should be considered from the get-go when [setting up a business in the Philippines](#) as these industries are restricted for Philippine nationals.

These foreign ownership restrictions are listed in the [negative list](#).

The negative list is revised every 2 years or whenever applicable industry-specific laws are changed.

Let's go through the detailed list below.

Industries for which no foreign ownership is possible are:

- mass media
- practice of professions
- retail with less than a capital of Php 25M
- cooperatives
- security agencies
- small scale mining
- marine resources
- cockpits
- nuclear weapons biological and chemical weapons and firecrackers and pyrotechnic devices.

Industries limiting foreign equity to 25%, 30% to 40% are:

- Private recruitment (25% foreign ownership)
- Construction of defense structures (25% foreign ownership)
- Advertising (30% foreign ownership)
- 40% foreign ownership for Infrastructure projects, Exploration and dev't of natural resources, private land, public utilities, educational institutions except those that do not form part of the formal education system, rice and corn, contracts for government-controlled entities, deep sea commercial fishing vessels, and private radio news networks, arms and munitions and items that require Philippine National Police clearance, dangerous drugs, gambling and bathhouses, micro and small domestic enterprises with less than USD 200,000 of capital, micro and small domestic enterprises with less than USD 100,000 of capital must have advanced technology as defined by the DOST or are endorsed as a startup by the DTI, DOST, DICT which must have 15 employees

What if the branch office in the Philippines is an extension of a foreign company organized abroad and is 60% owned by Filipinos?

In that case, it may enter into these industries (as per amendment [RA 8179 March 28, 1996](#)).

A Philippine Branch Office has the same nature of Business as its parent.



A Branch Office in the Philippines has the same nature of Business as its parent
A Branch Office in the Philippines is just an extension of the foreign parent.
So, it has the same business lines and nature of the business that the parent does.
It therefore shares the same Articles of Incorporation and By-laws as its parent.
Should the Philippine Branch Office be expected to be in a different line of business,
then a [domestic corporation](#) must instead be studied.

A Philippine Branch Office shares liability with its parent



A Branch Office is just an extension so its liabilities can be passed onto its parent

As mentioned, a Branch Office is an extension of its parent.

A Branch Office is not a separate entity, so its liabilities are shared with its parent.

So, if the Branch enters into a loan, the parent is liable for the loan.

A limited liability company's equivalent in the Philippines is a [domestic company](#) – however, a domestic company is taxed on total income whereas a branch office in the Philippines is only taxed on local income.

Limited Liability thus – as always – comes with a higher price.

A Corporate Lawyer in the Philippines should be involved from the beginning so that liability and branch office taxation concerns can be addressed before opening a branch office in the Philippines.

The Capitalization of a Branch Office in the Philippines.



The Capitalization requirements of a branch office Philippine depends on whether it will generate income in the Philippine or not.

Philippine branch office capitalization is USD 200,000 and the amount must be remitted to an authorized agent bank as part of the SEC registration process.

However, there is an exemption to USD 200,000 capital rule.

A lower capital requirement is allowed of USD 100,000 if 50 employees are hired or the organization is classified as a high-tech venture by the DOST.

Being certified for 50 employees or be classified as a high-tech venture by the DOST will take some work so be prepared for an elongated timeline if you decide to do this.

While a branch office can have a lower required capitalization, it may also have a higher capitalization when it is in retail. In the case, USD 500,000 is

Note –

If the foreign company does not wish to generate income in the country and have the Branch Office Philippines act as a cost center, it may be better to consider a [Representative Office](#).

If the foreign company wishes to generate income in the Philippines and wishes to limit liability, a [domestic company](#) may be better – even though there may be more taxes.

The type of structure chosen has an effect on liability, taxes, and initial minimum capitalization so it is important to choose wisely.

And it is always important to provide full information to our corporate lawyers so that they can help you.

Branch Office Philippines necessary Components: Resident Agent, Address, and Taxation.

Branch Office Philippines: Resident Agent



A resident agent is a representative appointed by a foreign company to act on its behalf in the Philippines

One of the SEC Requirements for Branch Offices is the Resident Agent.

A Branch Office's advantage over a domestic corporation is that it is simpler administratively – as an extension of an already existing corporation, it does not need a full board.

Instead, the only thing that a Branch Office needs is a Resident Agent.

Resident Agent Requirements Philippines:

- Resides in the Philippines
- Receives notices on behalf of the non-resident entity
- Can be an individual or domestic corporation in the Philippines
- A domestic corporation in the Philippines must be of good standing as certified by the SEC and also must have sound financial basis.

A board resolution must be executed appointing the Resident Agent and the Resident Agent must accept.

The corporation should indicate in its agreement with its Resident Agent that service on the Resident Agent is equivalent to service upon the officers of the foreign corporation.

Note that a Resident Agent must also sign other documents.

One of these is the SSS Registration form.

SSS is the Social Security System that all employers must contribute to for their employees.

So, a Resident Agent has several responsibilities.

Replacing a Resident Agent requires another Board Resolution must be created.

The replacement must be reported to the SEC along with the name and SPA of the new Resident Agent.

SEC Requirements for Branch Offices require a Resident Agent at all times.

Without a Resident Agent, the Philippines cannot gain jurisdiction over the company as it is essentially a foreign entity.

Without jurisdiction, the Branch Office Philippine may not be able to ask for redress under Philippine laws should a court matter come up.

Branch Office Philippines: Address Required



Company incorporations must secure a business address registered with the BIR to comply with tax laws and permit operations

Another one of the SEC Requirements for Branch Offices is an address.

Some will put a temporary address first just so that they can start the process of opening a branch office in the Philippines.

This is fine.

However, it is very advisable to have the temporary address in the same BIR Revenue District Office (RDO) and Local Government Unit that the permanent office is expected to be.

Changing an address can be lengthy and time-consuming.

Among others, it requires:

- An amendment to the articles of incorporation
- If the RDO is different and you have already undergone BIR Branch Registration, a transfer to a new BIR RDO may incur a BIR audit of the books.
- A transfer to a new LGU can incur unexpected expenses

While a corporate lawyer in the Philippines can help if you are transferring from one RDO to another, the best advice is to stay within the same RDO and LGU to avoid unnecessary work or an audit.

Branch Office Philippines: Taxation



There is a profit remittance tax for every profit remitted from the branch to the parent company. Taxation of a Branch Office in the Philippines is an important consideration.

How to open a branch office Philippines should be a secondary consideration to whether or not you should be opening a branch office in the Philippines.

(Admittedly, branch office taxes can get complicated. Always [consult](#) with a corporate lawyer in the Philippines to be sure.)

Taxes for Branch Office Philippines:

- 25% Income taxes on Philippine sourced income based on taxable income less allowable deductions (or 20% depending on the size of the company) Note that if the tax basis for income taxes is not necessarily accounting income
- 2% Minimum Corporate Income Tax of gross income
- 12% VAT on sales of goods or services
- Withholding tax for employee compensation of 0% to 35% depending on income
- Other withholding taxes
- Philippine Branch Office Tax for Profit Remittance is 15% on earnings sent to the parent company
- Philippine Branch Offices can claim a share of head office expenses subject to certain conditions

This is just a basic overview of Branch Office Taxes in the Philippines, which should serve as a starting point for your discussion with a [Corporate Lawyer in the Philippines](#).

SEC Requirements for Branch Office in the Philippines.



Documents must be drafted in English and with the Philippine Consulate authentication of the home country.

The process of how to open a branch office in the Philippines will require several documents.

Branch Office Philippines: SEC requirements

- SEC Application Form No. F-103
- Name verification slip
- Authenticated and audited the latest financial statements of parents with certification from an independent CPA. Financial ratios are required to be 1:1 for the current ratio, 1:1 for the solvency ratio, and 3:1 for debt to equity as of 1 year ago
- Authenticated certified copies of the parent company's Articles of Incorporation and By-laws (notarized and apostilled)
- Authenticated and certified copy of the Board of Resolution from the parent company establishing the branch office and designating a Resident Agent
- Acceptance of appointment of Resident Agent who acts as the official representative for receiving legal documents on behalf of the branch.
- Certificate of Inward Remittance and Certificate of Bank Deposit of USD 200,000.00 or applicable capitalization which also requires a Board Resolution to open a Bank Account authenticated as well
- Proof of Inward Remittance such as a Bank certificate of USD 200,000 registered with Bangko Sentral ng Pilipinas
- Endorsement from appropriate government agencies as applicable.



The difficulty and cause of delay in setting up a business in the Philippines are often related to the fact that these documents must be authenticated in the foreign parent's country

It must also be translated to English if in another language by a certified translator.

So, the process of authenticating documents can take a long time.

Authenticating the documents can be either authentication itself or apostille.

If apostille, note that each country processes apostille in a slightly different way.

If the country is not part of the Hague Convention on Apostille, then authentication is needed.

Authentication may require that the signatories go to the PH embassy to sign and then consular the document – this can take time.

And this must be done for all documents for use in the PH created abroad such as Board Resolutions and the like.

Now, another common issue is the Audited Financial Statements (AFS).

In a country where Audited Financial Statements are required, the audited financial statements for the year prior should be submitted.

It must be audited by an independent CPA.

Furthermore, it must be apostilled and authenticated.

If the AFS exceeds the one-year requirement, submit the latest AFS that is available and Unaudited Financial Statements not exceeding one year signed by an officer of the foreign parent.

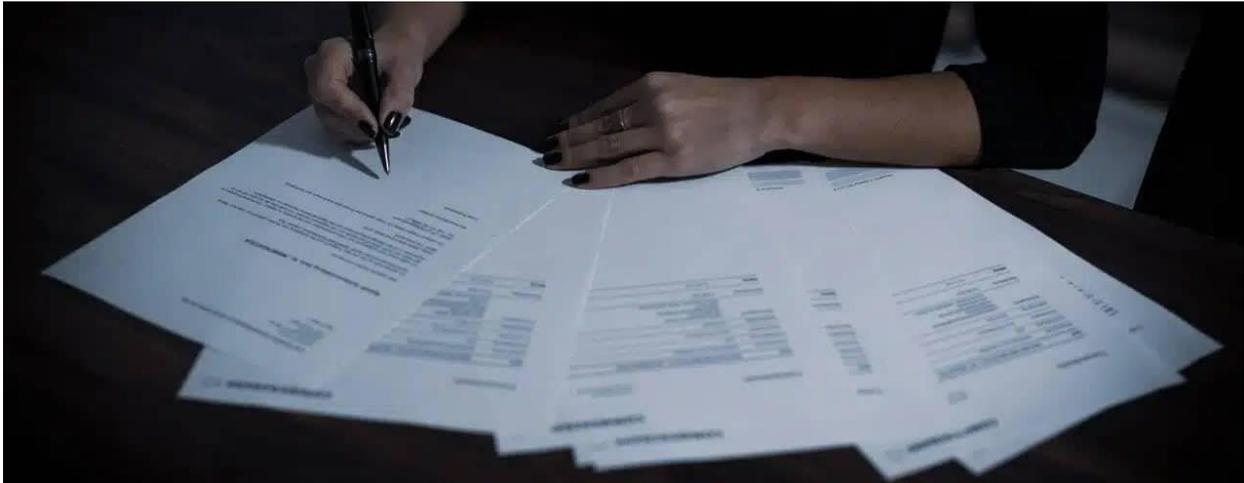
Now, if the country does not require Audited Financial Statements, submit Unaudited Financial Statements not exceeding one year.

Also, an authenticated certification from corporate legal counsel or by an officer of the responsible regulatory institution would be needed, with the law attached.

Note that getting the law is in itself a process.

If you have gathered all these SEC requirements for a branch office, then you are in a good place to start setting up a business in the Philippines.

SEC Process for How to Open a Branch Office in the Philippines.



The SEC provides a series of required forms that can be completed manually.

The SEC process of how to open a branch office in the Philippines takes 2 or so months, from the moment that the documents are filed to when the SEC Registration is complete.

Then, the local government permits and the BIR must be done as well as the statutory requirements.

SEC Branch Registration Philippines: Process

Step1: Seek Corporate Lawyer

- Assess requirements with a corporate lawyer in the Philippines to determine the optimal structure, taxation, and cash repatriation.

Step 2: Prepare and Secure SEC Document Requirements

- Gather documents from the foreign company. This can take time.
- Make sure that all the documents are authenticated or apostilled to prevent delay.

Step 3: Name Verification with SEC

- Fill up the application form online and the desired name in the SEC system.
- Upload notarized or apostilled documents (listed above) if the name is available and there are no issues.
If there is an issue with the name, an appeal can be lodged.
- If there is an issue with the corporate information, the SEC will notify
- Provide a proof of Bank Certificate proving the inward remittance

Step 4: Pay the Registration fee

- The registration fee is 1% of the actual inward remittance of the corporation.
- This must not be less than Php 3,000

Step 5: Submit Application to SEC

- Submit documents online via Company Registration System (CRS) or in person a hardcopy documentary requirements and proof of payment to SEC Main or an SEC Branch Office

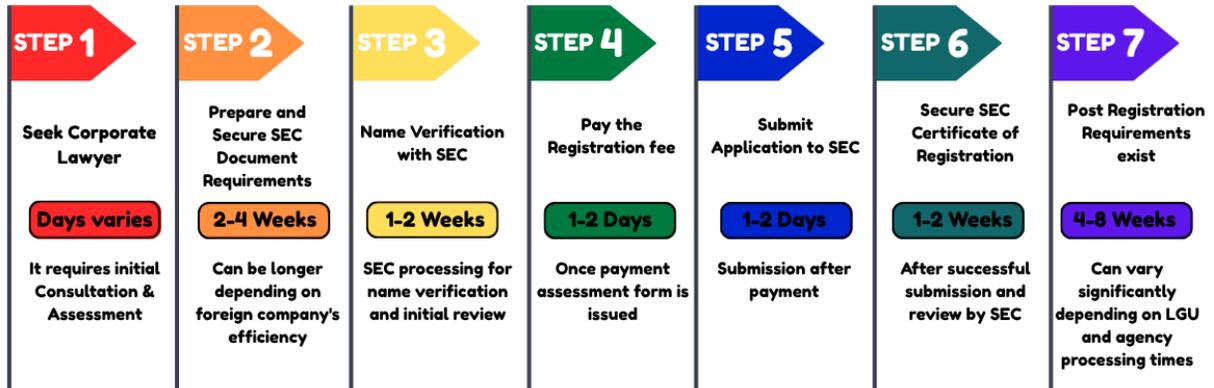
Step 6: Secure SEC Certificate of Registration

- Once approved, a License to Do Business in the Philippines will be issued.
- This license identifies your branch as an extension of the foreign parent.

Step 7: Post Registration Requirements

- BIR Branch Registration Requirements must be filed with BIR, as well as the SSS, Pagibig, Philhealth and LGU enrollment.
- These are significant enrollments and must be completed.
- These can also take some time to complete.

SEC BRANCH REGISTRATION IN THE PHILIPPINES TIMELINE: 2-3 MONTHS



For the SEC it will take 2-3 months, due to the SEC processing time.

The issue that frequently comes up in [setting up a business in the Philippines](#) is that the preparation of the SEC requirements takes some time.

Yes, it is a checklist.

However, preparing the documents and authenticating them can take some time.

For example, a country may not be part of the Apostille convention and may not have a PH embassy.

This may require traveling to another country where a PH embassy is located just to [authenticate and consulate the documents](#).

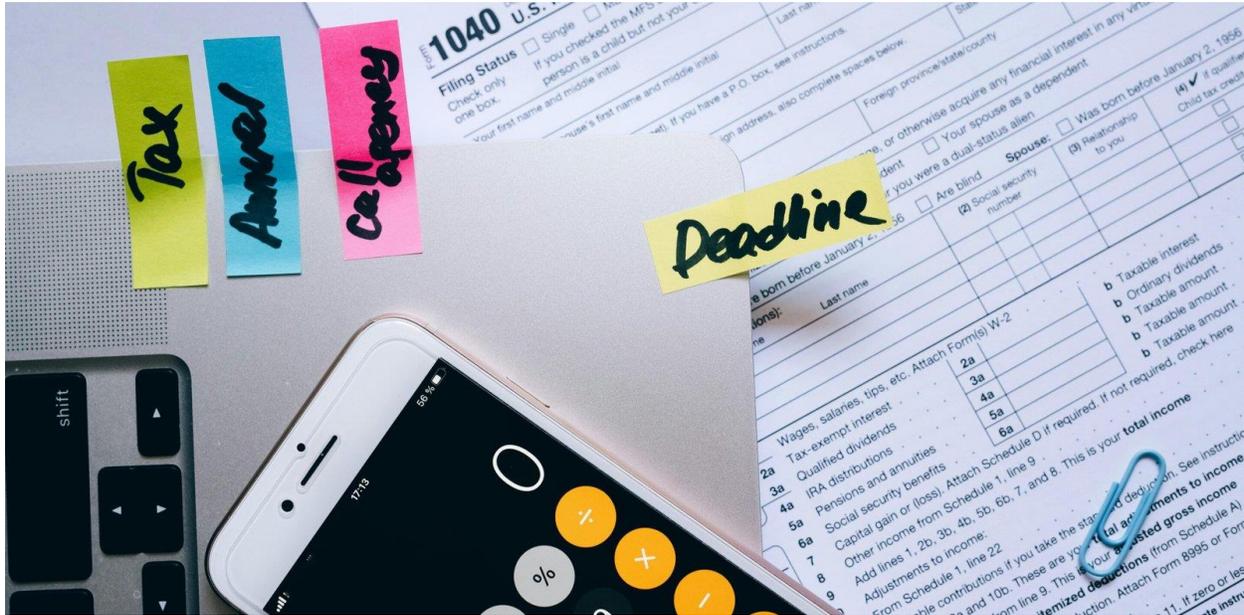
In addition, translation of foreign documents may be needed.

Sometimes getting the attachment showing that audited financial statements are not required may be difficult.

These can all slow things down.

It's really best to [consult with a corporate lawyer in the Philippines](#).

Branch Office Philippines: Compliance and Reporting Obligation



Meeting all the compliance and obligation ensure legal continuation of branch operation the country.

Registering a branch office in the Philippines is just the first step.

After that, companies must comply with various regulatory and reporting requirements to legally continue operations in the country.

For Security and Exchange Commission (SEC):

- General Information Sheet (GIS) that is filed annually
- Audited Financial statements (AFS) filed annually
- Renewal of SEC License (every five years)

For Bureau of Internal revenue (BIR):

- Annual Income Tax Return, on or before April 15th day after fiscal year-end
- Quarterly income Tax return
- Quarterly VAT returns (if VAT is registered)
- Expanded Withholding Tax, filed monthly and quarterly
- Annual Information Return of income Taxes Withheld on Compensation
- Annual Registration Fee that is filed every January 31
- Other taxes as applicable

For Local government Unit (LGU):

- Mayor's permit/ business Permit renewal, annually
- Barangay Clearance
- Occupational Permits for employees (some LGUs require these)

For Social Agencies:

- SSS, employer reports and remittance monthly
- PhilHealth, premium contribution monthly
- Pag-IBIG, employee and employer contribution monthly

Note: Late filings lead to penalties for non-compliance such as fines or business suspension.

It is essential to ensure full compliance with all regulatory requirements to maintain good legal standing and avoid potential penalties.

What are the Common Challenges and How to Overcome them?



Expert advice can avoid difficulties in opening a branch office in the Philippines.

Challenge: Lengthy registration process

- Conduct a business needs assessment in collaboration with a [corporate lawyer](#).
- This way time can be saved and the correct structure for what the company should be doing is undertaken.

- Setting up a branch office in the Philippines can serve as a strategic initiative for foreign companies aiming to enter the Southeast Asian market effectively.
- For personalized guidance and support throughout this process, reach out to our experienced team of corporate lawyers today!

Challenge: Meeting minimum capital requirements

- The minimum capitalization is USD 200,000 generally.
- Alternative structures should be investigated, should the capitalization requirements be too onerous.

Challenge: Understanding tax obligations

- Work with a local tax consultant.
- Partnering with a local tax consultant allows your business to identify potential risks early and ensure compliance with Philippine tax laws.

Setting up a branch office in the Philippines allows full foreign ownership but comes with tax liabilities. Ensure you meet capital requirements and comply with SEC regulations.

Need assistance with branch office registration? Our legal experts can guide you through the entire process.

Read our guide on Representative Offices in the Philippines.

Frequently Asked Questions



1. What are the capital requirements?

The minimum capitalization requirement is generally set at USD 200,000; however, this amount may differ based on the nature of the business activities.

2. Can I later change my branch's business focus?

No, a branch office is required to maintain the same business scope as that of its parent company, since it is just a local extension of the parent.

3. Can I have 100% foreign ownership of a Philippine branch office?

Yes, a foreigner can own 100% of a Philippine branch office.

4. Does a Philippine branch office have limited liability?

As an extension of the foreign entity, the liability of a Philippine Branch Office can extend to the foreign parent.

5. What is the difference between a Philippine branch office vs a Representative Office?

A Philippine Branch Office can earn revenue from the Philippines while a [Representative Office](#) is a cost center.

6. Can a branch office hire Filipino employees?

Yes, but it must register with SSS, PhilHealth, and Pag-IBIG.

7. Can a branch office own property in the Philippines?

No, foreign companies cannot own land but can lease office space.

8. How long does branch office registration at the SEC take?

Around 2-3 months depending on document processing.