Philippines

Local stock exchange
Philippine Stock Exchange, Inc.
http://www.pse.com.ph/

Rules for listed filings

IFRS required or permitted for listed companies?

Listed companies are required to apply IFRS as adopted locally (PFRS).

Version of IFRS

IFRS as adopted locally.

Philippine Financial Reporting Standards ("PFRS") include all applicable PFRS, Philippine Accounting Standards ("PAS") and interpretations of the Philippine Interpretations Committee ("PIC"), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee ("IFRIC") which have been approved by the Philippine Financial Reporting Standards Council (FRSC), as endorsed by the Professional Board of Accountancy, and the Philippine Regulation Commission and adopted by the Philippine Securities and Exchange Commission. PFRS and PAS are based on the IFRS and IAS issued by the IASB.

PFRS is substantially consistent with IFRS except for the following:

(1) For pre-need companies, the financial reporting framework is set forth in Pre-Need Rule 31, As Amended: Accounting Standards for Pre-Need Plans and Pre-Need Uniform Chart of Accounts (PNUCA) issued by the Philippine Securities and Exchange Commission. PFRS apply to the extent that they are not superseded by the provisions of the Amended Pre-Need Rule 31, except for the accounting treatment on revenues and financial liabilities under PAS 39 and PFRS 4 as prescribed in Philippine Securities and Exchange Commission Notice dated February 27, 2006.

(2) For mining companies, pre-2005 hedging contracts were exempted from the fair value requirements of PAS 39 subject to conditions specified in the Philippine Securities and Exchange Commission Notice dated November 30, 2006.

(3) For Philippine financial reporting purposes, the mandatory application of IFRIC 15, Agreements *for the Construction of Real Estate*, has been deferred indefinitely by the Philippine Securities and Exchange Commission upon consideration of the Position Paper submitted by various real estate industry associations and the on-going deliberation on the revenue standard being developed by the IASB at this time. Until the effectivity of IFRIC 15, entities are allowed to apply the percentage-of-completion method from the sales of property under pre-completion contracts in accordance with PIC Q&A No. 2006-01. IFRS 15, Revenue from Contracts with Customers, has been issued by the IASB which is expected to be effective in the Philippines beginning on or after January 1, 2018. The Philippine Interpretations Committee is currently discussing the impact of this new revenue standard on the Philippine real estate industry.

(4) PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, is consistent with IAS 20 in all material respects, except for the accounting for government loans with low interest rates received prior to January 1, 2009. PIC Q&A 2007-02 presents three alternative accounting methods.

(5) In availing of the exemption from preparing consolidated financial statements under PFRS 10, *Consolidated Financial Statements*, PIC Q&A 2006-02 states that other financial reporting standards that are converged or virtually converged with IFRS, or are conceptually similar to IFRS, are deemed acceptable in applying the provisions of PFRS 10 paragraph 4(a).

(6) Philippine Securities and Exchange Commission Financial Reporting Bulletin (FRB) No. 006 provides guidance on the proper classification of deposits for future stock subscription (i.e., equity vs. liability). According to this Bulletin, an entity shall classify a contract to deliver its own equity instruments under equity as a separate account from "Outstanding Capital Stock" if and only if, all of the following elements are present as of end of the reporting period:

    (a) The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;

    (b) There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);

    (c) There is stockholders' approval of said proposed increase; and

    (d) The application for the approval of the proposed increase has been filed with the Commission.

Are subsidiaries of foreign companies or foreign companies listed on local exchanges subject to different rules?

Yes. Generally, listed companies are required to file financial statements in accordance with PFRS (IFRS as adopted locally). However, foreign companies may be able to secure exemptive relief on the PFRS requirement by formally requesting from the Philippine Securities and Exchange Commission and explaining the reasons for such request.

Rules for statutory filings

Is IFRS or IFRS for SMEs required, permitted or prohibited for statutory filings?

Rule 68 of the Securities Regulation Code ("SRC Rule 68") sets out the acceptable financial reporting framework to be used for statutory filings, depending on the type of entity, as follows:

(1) For large and/or publicly-accountable entities – PFRS

(2) For qualified SMEs – PFRS for SMEs

(3) For micro-entities – full PFRS, PFRS for SMEs or another acceptable basis of accounting (i.e., income tax basis or accounting standards in effect as of December 31, 2004)

Large and/or publicly-accountable entities

Large and/or publicly-accountable entities are those that meet any of the following criteria:

(1) Total assets of more than P350 million or total liabilities of more than P250 million; or

(2) Are required to file financial statements under Part II of SRC Rule 68; or

(3) Are in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market; or

(4) Are holders of secondary licenses issued by regulatory agencies.

Small and medium-sized entities

SMEs are those that meet all of the following criteria:

(2) Total assets of between P3 million to P350 million or total liabilities of between P3 million to P250 million. If the entity is a parent company, the said amounts shall be based on the consolidated figures;

(3) Are not required to file financial statements under Part II of SRC Rule 68;

(4) Are not in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market; and

(5) Are not holders of secondary licenses issued by regulatory agencies.

For qualified SMEs, the application of PFRS for SMEs is mandatory except when the entity meets any of the following criteria:

(a) It is a subsidiary of a parent company reporting under full PFRS;

(b) It is a subsidiary of a foreign parent company that will be moving towards IFRS pursuant to the foreign country's published convergence plan;

(c) It is a subsidiary of a foreign parent company that has been applying the standards for a non-publicly accountable entity for local reporting purposes, and is considering moving to full PFRS instead of the PFRS for SMEs in order to align its policies with the expected move to full IFRS by its foreign parent company pursuant to its country's published convergence plan;

(d) It has short-term projections that show that it will breach the quantitative thresholds set in the criteria for an SME, and the breach is expected to be significant and continuing due to its long-term effect on the company's asset or liability size;

(e) It is part of a group, either as a significant joint venture or an associate, that is reporting under full PFRS;

(f) It is a branch office or regional operating headquarters of a foreign company reporting under the full IFRS;

(g) It has a concrete plan to conduct an initial public offering within the next two years;

(h) It has a subsidiary that is mandated to report under full PFRS; and

(i) It has been preparing financial statements using full PFRS and has decided to liquidate.

On January 30, 2013, the Philippine Interpretations Committee ("PIC") approved Q&A No. 2013 -01 which deals with applicability of SME Implementation Group ("SMEIG") Q&As on Philippine SMEs with the consensus that all the final SMEIG Q&As can be applied by Philippine SMEs adopting PFRS for SMEs except for the following:

1. SMEIG Q&A 2011/01 – Use of IFRS for SMEs in a parent's separate financial statements

In the Philippines, it will not be possible to use PFRS for SMEs in the separate financial statements and full PFRSs in the consolidated financial statements because of the quantitative criterion provided by the Philippine Securities and Exchange Commission in determining whether an entity is or is not an SME (see above). This rule specifically indicates that the assessment whether the entity qualifies as an SME is based on its consolidated figures. Hence a separate assessment based on its parent's figures is not appropriate. Therefore, once a parent company is determined to not be an SME based on consolidated figures, it is likewise deemed not an SME even in its separate financial statements.

2. SMEIG Q&A 2011/02 – Entities that typically have public accountability

In the Philippines, entities such as banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks or entities that typically hold assets in a fiduciary capacity for a broad group of outsiders as one of its primary business are regulated entities that are considered as publicly accountable entities under SRC Rule 68. Thus, those entities are not SMEs and are, therefore, not eligible to use PFRS for SMEs.

Micro-entities

Micro-entities are those that meet all of the following criteria:

(1) Total assets and total liabilities are below P3 million;

(2) Are not required to file financial statements under Part II of SRC Rule 68;

(3) Are not in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market; and

(4) Are not holders of secondary licenses issued by regulatory agencies.

Version of IFRS

IFRS as adopted locally. See above.

IFRS conversion plans

Plans for converging

Not applicable. IFRS and IFRS for SMEs have been adopted on January 1, 2005 and January 1, 2010, respectively.

Other useful websites

Philippine Institute of Certified Public Accountants
http://www.picpa.com.ph/

Professional Regulatory Board of Accountancy
http://www.prboa.com/

Philippines Securities and Exchange Commission
http://www.sec.gov.ph/

Tax information

Type of tax regime

Quasi-dependent. Taxable profit is principally based on the legal entity statutory accounts with a number of adjustments provided in the tax law.

Comments on tax regime

Taxable income is determined by starting with the profit reflected in the financial accounts of a company. Any expenses that are non-deductible for tax purposes are added back to that profit. The resulting amount is then reduced by any income subject to final tax (such as interest, dividends and royalties) and tax-exempt income.

Plans for IFRS converging as the basis of tax reporting

Not applicable