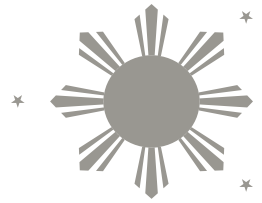




TOURISM



I. MARKET OVERVIEW

The Philippines' tourism industry is regarded as an important contributor to the generation of foreign exchange earnings, investments, revenue, employment, and overall output growth. The inclusion of tourism as a major pillar in the Medium Term Philippine Development Plan (MTPDP) has given priority to the tourism sector by promoting the Philippines as a premier tourist destination and investment site.

7 107 islands including beaches, coral reefs, and mountains, are an asset which can be developed exponentially to increase the share of the growing tourism arrivals to Southeast Asia for the Philippines.

In 2015, the Philippines generated international tourism revenue earnings amounting to €4,39 billion, which is 5,92% higher than the previous earnings in 2014. The industry marked another milestone as visitor arrivals surpassed five million arrivals, as the country welcomed more than 5,36 million visitors in 2015.

The EU ranks the fourth largest regional source of tourists to the Philippines; it overtook China in 2014 with a record number of 400 000 tourists.

II. MAIN LEGISLATIVE AND REGULATORY FRAMEWORK

Republic Act No. 9593 or the Tourism Act of 2009 aims to stimulate more private sector participation and foreign direct investments by enhancing international business relations for the support of tourism projects of the private sector, through partnerships, joint ventures and other cooperative undertakings involving local and foreign investors. It supported the establishment of Tourism Enterprise Zones (TEZs) through the Tourist Infrastructure and Enterprise Zone Authority (TIEZA) to develop cultural, economic and environmentally sustainable development of TEZs. Eight priority destinations have been identified for aggressive promotion, including Cebu, Bohol, Camiguin, Palawan, Manila, and Tagaytay.

Taxes paid by international carriers in the Philippines have recently been rationalised through R.A. 10378, which aims to make the Philippine aviation industry more competitive.

Given strict constitutional restrictions on foreign ownership of land in the Philippines, lands and



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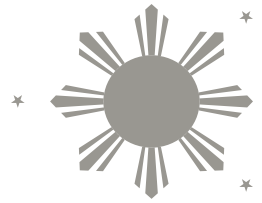


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TOURISM



buildings in TEZs may be leased to foreign investors for a period of 50 years, renewable once for 25 years. Other non-tax incentives for TEZs include the employment of foreign nationals and immigration privileges through the Special Investor’s Resident Visa (if foreign investment is at least about €147 000).

The amended Foreign Investments Act allows foreign nationals to invest up to 100% equity participation with a paid up capital of €1,8 million or more in new or existing economic activities including restaurant operations that are incidental to the hotel business.

III. MAJOR OPPORTUNITIES FOR EU BUSINESS

Improving connectivity between Europe and the Philippines is one of the key business opportunities available to the commercial airline industry. Despite the recent passage of a law rationalising the domestic taxes charged to foreign carriers, no new European carrier has opened a service in the Philippines over the last three years. Air France-KLM is the only European carrier operating in the country.

There is also a large potential for European investors that want to enter the booming hotel development sector in the Philippines either through joint venture partnerships with Philippine tourism enterprises or through full foreign participation under certain investment conditions.

European tour operators and travel agencies can also expand its client base by attracting tourist traffic from the Philippines through the help of their counterparts operating in the Philippines.



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