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Philippines Payroll, Labour Law & Compliance Workshop 2026

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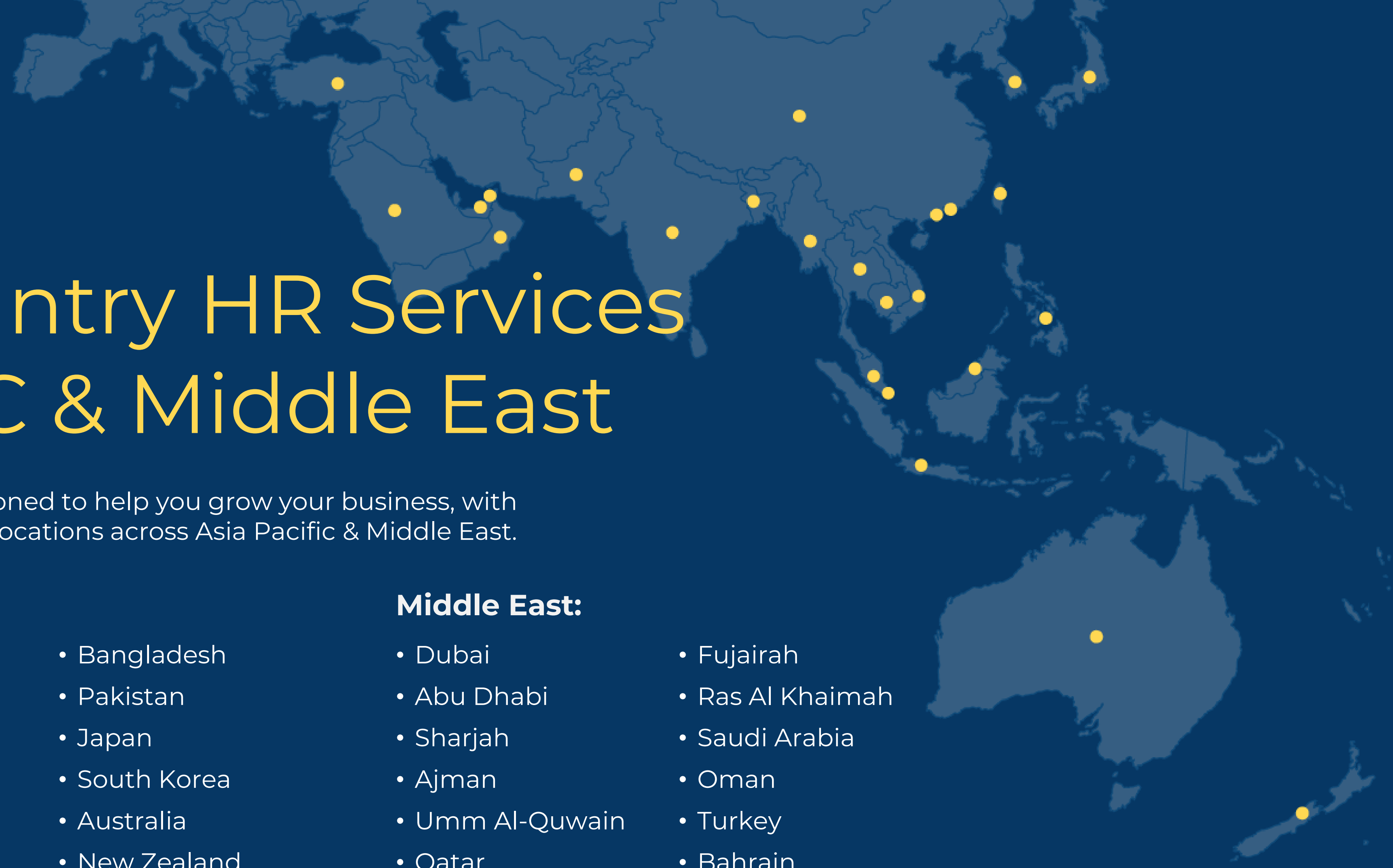

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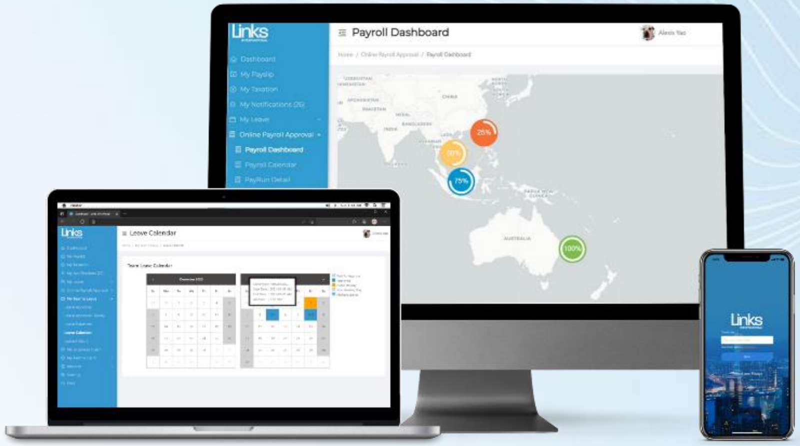

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Our Speaker

Ashwin Srigantha

Regional Business Development Manager

Ashwin has over 6 years experience helping MNCs and Malaysia based clients streamline and automate their HR processes through outsourcing and business process automations. Ashwin helps client identify ways in which they can reduce their HR administration and focus on value adding strategic HR initiatives.

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Content

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Employment and Payroll in the Philippines

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Employment in the Philippines

What is the most important Philippine labour law applied now?

*Labour Code of the Philippines (PD 442) – continuously updated via Republic Acts and DOLE issuances

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Employment in the Philippines

Philippine employers are expected to establish a written workplace policies (often compiled into Company Code of Conduct or Employee handbook) to ensure compliance with the labour laws and proper employee discipline.

Key benefits of a Company Code of Conduct:

- Employer can fully comply with DOLE and local legal requirements
- Provides clear disciplinary framework, protecting both employer and employee

What are the contents of a Company Code of Conduct / Work Rules?

1. Working hours and rest periods;
2. Rules on conduct and order in the workplace;
3. Occupational safety and health;
4. Actions against sexual harassment in the workplace;
5. Protection of company assets, trade secrets and intellectual property;
6. Grounds and procedures for employee discipline and dismissal;
7. Violations against labour regulations and disciplinary measures;
8. Grievance machinery and employee complaint procedures;
9. The person having the competence to take disciplinary measures.

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EMPLOYMENT IN THE PHILIPPINES

Probation Duration

- **Maximum 6 months** for most positions (Art. 296, Labour Code).
- Probationary period **cannot exceed 6 months** except for apprentices (RA 7796).
- Performance standards must be communicated at the time of engagement; failure to do so = deemed regular from Day 1.
- An employee who continues working beyond the probationary period is automatically deemed a regular employee.
- Probationary employees are entitled to the minimum wage and legal benefits as regular employees.
- Each position can only have one probationary period with that employer.

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Employment Contract

Is a written contract of employment required? If so, what main terms must be included?

- Written contract is strongly recommended; required for project-based, fixed-term, and probationary employment
- No specific form prescribed for regular employment, but written form protects both parties

4 main types of employment

- Regular (acquired after 6 months; cannot be dismissed except for just/authorised causes)
- Probationary (max 6 months, with communicated standards)
- Project-based (co-terminus with the project)
- Seasonal / Fixed-term (for specific undertakings)

Contracts must be **written in English or Filipino**; bilingual versions are acceptable.

Terms of Employment Contract

- Employer’s information: legal name, address, SEC/DTI registration, and authorised representative;
- Employee’s information: full name, date of birth, address, TIN, SSS/PhilHealth/Pag-IBIG numbers;
- Position/job description, duration of employment and probationary period (if applicable);
- Compensation: basic wage, allowances and benefits (in Philippine Peso);
- Working hours, rest days, and overtime arrangements;
- Grounds for termination (in accordance with labour Code) and applicable procedures and notice requirements.

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EMPLOYMENT IN THE PHILIPPINES

Terminating Employment Contract

Philippine labour law is generally employee-friendly. Employers may only terminate employment for just causes (employee fault) or authorised causes (business/health), per Arts. 297–299 of the Labour Code.

Twin-notice rule

- Written notice of charge;
- opportunity to be heard;
- written notice of decision.

Failure = illegal dismissal.

Required Notice Periods

- Just Cause dismissals: Minimum 30 days written notice; must follow twin-notice due process
- Authorised Cause (redundancy/retrenchment): Minimum 30 days notice to both employee AND DOLE
- Employee resignation: Generally, 30 days written notice, unless a shorter period is justified
- Separation pay is required for authorized causes, with amount depending on the ground (typically ½ month to 1 month pay per year of service).

Philippine labour laws are strongly pro-employee. Employers must strictly follow due process or face illegal dismissal liability including full back wages and reinstatement.

Salary

Philippine Employees:

Salaries must be paid in Philippine Peso (PHP). Employers are required to pay wages at least once every two weeks or twice a month at intervals not exceeding 16 days (Art. 103, Labour Code).

Though DOLE is silent about other payroll frequency, monthly payroll may be permissible provided it is clearly communicated to employees and is structured in a manner that benefits them (e.g., payroll is released on the 15th of the month while covering earnings through the end of the month). However, companies should assess compliance with applicable labour laws and payroll regulations, and it is best to discuss the arrangement internally with the company's legal adviser before implementation.

Foreign Employees : Salaries may be paid in PHP or, where agreed, in foreign currency, subject to BSP regulations.

Wage Deductions: Employers may only make deductions authorised by law, written agreement or court order. Deductions for SSS, PhilHealth and Pag-IBIG are mandatory. Deductions that reduce wages below minimum wage are generally prohibited (Art. 113, Labour Code).

EMPLOYMENT IN THE PHILIPPINES

Minimum Wage

Minimum Wage: Set by Regional Tripartite Boards
Regional Tripartite Wages and Productivity Boards (RTWPBs) set minimum wages per region via Wage Orders. Rates vary by region, industry and job classification.

₱695 per day (NCR)
Effective 18 July 2025 per Wage Order NCR-26

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EMPLOYMENT IN THE PHILIPPINES

Minimum Wage

The **minimum wage in the Philippines** varies by region and sector. Employers should check the latest wage order applicable to the employee's work location and industry before finalizing compensation.

For the National Capital Region, the current daily minimum wage rate under Wage Order No. NCR-26 took effect on **18 July 2025**.

- Non-agriculture rate increased from PHP 645 to **PHP 695**
- Agriculture, small service or retail establishments, and small manufacturing establishments increased from PHP 608 to **PHP 658**.
- Domestic worker minimum wage in NCR increased to **PHP 7,800 per month**, effective **7 February 2026**.

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Working Hours

Normal working hours
Not more than 8 hours per day and 48 hours per week (Art. 83, Labour Code). The State encourages employers to adopt a 40-hour work week.

Rest day
Employees are entitled to a rest period of not less than 24 consecutive hours per week. The employer shall determine and schedule the weekly rest day of employees; preferably Sunday.

Night shift differential
Every employee shall be paid a night shift differential of not less than 10% of the regular hourly rate for work performed between 10:00 PM and 6:00 AM (Art. 86, Labour Code).

Meal period
Every employer shall give employees not less than 60 minutes **unpaid** meal break. This may be shortened to not less than 20 minutes where work is non-manual.

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EMPLOYMENT IN THE PHILIPPINES

Overtime

Overtime	Art. 87–93, Labour Code / DOLE Rules	
	Calculation	Rate
Regular Overtime	Hourly rate x 125%	125%
Rest day or Special day	Hourly rate x 130% (first 8 hours)	130%
Special day falling on rest day	Hourly rate x 150% (first 8 hours)	150%
Regular Holiday	Hourly rate x 200% (first 8 hours)	200%
Regular Holiday falling on rest day	Hourly rate x 260% (first 8 hours)	260%
Double Holiday	Hourly rate x 300% (first 8 hours)	300%
Double Holiday falling on rest day	Hourly rate x 390% (first 8 hours)	390%
Night shift differential	+10% of hourly rate (10 PM–6 AM)	10%

***Note**: The above overtime (OT) codes are baseline codes only. There are 24 additional pay codes covering night differential, overtime in excess of 8 hours, and their combinations.*

EMPLOYMENT IN THE PHILIPPINES

Separation Pay

Under Arts. 298–299 of the labour Code (authorized causes), separation pay is required when termination is for labour-saving devices, redundancy, retrenchment to prevent losses, closure or cessation of business, or disease, subject to the applicable statutory conditions. The amount depends on the ground for separation."

Formula

Separation pay = Monthly rate × applicable rate × years of service (min. 1 month).
** ½ month pay: retrenchment, closure not due to losses, disease.
** 1 month pay: redundancy, installation of labour-saving devices.

Note on illegal dismissal

An employee illegally dismissed is entitled to:

1. reinstatement without loss of seniority;
2. full back wages from time of dismissal to actual reinstatement;
3. other benefits.

Separation pay received due to retirement, retrenchment, or redundancy is exempt from income tax under certain BIR rules.

Leave Encashment

Employees are entitled to payment of unused earned leave upon separation, subject to company policy.

Formula
SIL/AL cash equivalent = Daily rate × unused SIL days

Company-provided leave in excess of the **statutory 5 days** follows the company policy on encashment. The SIL entitlement does not apply to employees already enjoying vacation leave of at least 5 days with pay.

EMPLOYMENT IN THE PHILIPPINES

Public Holidays

18 days of Public Holidays (2026)

Holiday	Date
New Year’s Day	1 January
Chinese New Year's Day	17 February
Maundy Thursday	2 April
Good Friday	3 April
Black Saturday	4 April
Araw ng Kagitingan	9 April
labour Day	1 May
Independence Day	12 June
Ninoy Aquino Day	21 August

Holiday	Date
National Heroes Day	31 August
All Saints' Day	01 November
All Souls' Day	02 November
Bonifacio Day	30 November
Feast of the Immaculate Conception	08 December
Christmas Eve	24 December
Christmas Day	25 December
Rizal Day	30 December
Last Day of the Year	31 December

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EMPLOYMENT IN THE PHILIPPINES

Service Incentive Leave & Other Leave

- ✓ **Service Incentive Leave (SIL) (labour Code of the Philippines, Article 95)** - 5 days leave with pay per year. Available after at least 1 year of service. Unused SIL must be converted to cash. Pro-rated depending on company practice.
- ✓ **Maternity Leave (Expanded Maternity Leave Law RA 11210)** - 105 days paid leave for live childbirth, plus 15 days if solo parent and 60 days for miscarriage or emergency termination. All female employees (regardless of civil status).
- ✓ **Paternity Leave (Paternity Leave Act RA 8187)** - 7 days with pay. For Married male employee for first 4 deliveries/miscarriages of lawful spouse.
- ✓ **Parental Leave for Solo Parents (Solo Parents' Welfare Act RA 8972 as amended by RA 11861)** - 7 days leave with pay per year. Must be a registered solo parent and must at least 1 year of service in the company.
- ✓ **Leave for Victims of Violence Against Women and Children (VAWC) (RA 9262)** - 10 days leave with pay, but extendible if needed by the court for legal, medical, and psychological support.
- ✓ **Special Leave for Women (Magna Carta of Women RA 9710)** - Up to 2 months leave with pay. For surgery related to gynecological disorders. Requires 6 months aggregate service (within last 12 months)

EMPLOYMENT IN THE PHILIPPINES

SSS-Paid Leave Benefits

SSS Sickness Benefit - daily cash allowance paid for the number of days a member is unable to work due to sickness or injury

Qualification

- Is unable to work due to sickness or injury and is confined either in a hospital or at home for at least four (4) days.
- Has paid at least three (3) months of contributions within the 12-month period immediately preceding the semester of sickness or injury. In determining the SE/VM/OFWs entitlement to the benefit, the SSS shall only consider those contributions paid prior to the semester of contingency.
- Has notified the employer, if employed, or the SSS, if SE/VM/OFW/separated from employment regarding his/her sickness or injury.
- Has used up all current company sick leave with pay for the current year, if employed, except sea-based OFWs.

Benefit Amount

90% of the member's average daily salary credit;
Maximum of 120 days per year

SSS Maternity Benefit - daily cash allowance granted to a female member who is unable to work due to childbirth, miscarriage, or emergency termination of pregnancy

Qualification

- Has paid at least three (3) months of contributions in the 12-month period immediately preceding the semester of childbirth, miscarriage, or ETP. In determining the female member's entitlement to the benefit, the SSS shall only consider those contributions paid prior to the semester of contingency;
- Has duly notified the employer of her pregnancy and the probable date of her childbirth, if employed. Moreover, the notice shall be transmitted to SSS in accordance with the rules and regulations it may provide; and
- Has duly notified the SSS directly of her pregnancy and the probable date of her childbirth, if a self-employed (SE) or voluntary member (VM), a non-working spouse (NWS), or an Overseas Filipino Worker (OFW).

Benefit Amount

- 100% of average daily salary credit × number of paid maternity leave days
  - ➢ 105 days - any instance of live childbirth (normal or caesarian section delivery)
  - ➢ 120 days - additional 15 days for solo parents under RA No. 8972, also known as the Solo Parents' Welfare Act
  - ➢ 60 days - miscarriage or ETP including stillbirth

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Mandatory Statutory Contributions

Mandatory Contributions - Overview

1. Social Security System (SSS)
2. PhilHealth
3. Pag-IBIG Fund
4. Employees' Compensation Program

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MANDATORY CONTRIBUTIONS

Statutory Contributions for Philippine Employees

Fund	Salary Credit Cap	Employee Rate	Employer Rate
SSS Regular	₱30,000/month	4.50%	9.50% + ECC of ₱10 to ₱30
PhilHealth	₱10,000 - ₱100,000/month	2.50%	2.50%
Pag-IBIG (HDMF)	≤ ₱1,500/month ₱1,500 to ₱5,000/month	1.00% 2.00%	2.00% 2.00%

SSS - Minimum Monthly Salary Credit (MSC): ₱4,000 | Maximum MSC: ₱30,000 (2025)
Total contribution rate: 14% (Employee: 4.5% + Employer: 9.5%)

PhilHealth: 5% of monthly basic salary (employee: 2.5%, employer: 2.5%) | Salary ceiling: ₱100,000/month

Pag-IBIG: 1%–2% employee + 2% employer | Maximum employee contribution: ₱200/month

MANDATORY CONTRIBUTIONS

Important Notes on Statutory Contributions

- All employees, regardless of employment status or number of hours worked, are generally **covered by SSS, PhilHealth, and Pag-IBIG.**

- SSS Contributions based on Monthly Salary Credit (MSC) brackets (₱5,000–₱35,000) for employed members. The employer remits both the employer and employee shares to SSS.

  - PhilHealth: 5% of monthly basic salary (2025), equally shared. Minimum contribution: ₱500/month for salary ≤ ₱10,000.
  - Pag-IBIG: Mandatory for employees earning ≥ ₱1,000/month. Employee max contribution ₱200/month; voluntary additional contributions allowed.
  - Late payment penalty – SSS: 3% per month. PhilHealth: 3% per month. Pag-IBIG: 1/10th of 1% per day.

- Employers must remit contributions on time and issue payslips showing deductions each pay period.
  - Foreign nationals working in the Philippines on valid AEPs are generally required to contribute to SSS and PhilHealth.
  - Kasambahays (household workers) are covered under RA 10361 (Domestic Workers Act) – employer pays both shares if kasambahay earns below ₱5,000/month.
  - Records of all contributions and remittances must be kept for at least 10 years for audit purposes.

MANDATORY CONTRIBUTIONS

Salary Used As The Basis For Statutory Contributions

The monthly salary used as the basis for SSS, PhilHealth, and Pag-IBIG contributions includes:

Salary components:

- Based on **job position/title**
- Fixed monthly allowances that are part of the compensation package(e.g. cost of living allowance, transportation if fixed and regular)

Contribution rules:

- SSS : Contribution based on the gross pay except reimbursements
- PhilHealth: Contribution based on actual monthly basic salary
- Pag-IBIG: Contribution based on actual monthly basic salary

Self-employed / Voluntary members:

- May choose their declared monthly income as the basis for SSS contributions
- May update contribution bracket every year

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MANDATORY CONTRIBUTIONS

Statutory Contribution Rules & Deadlines

Remittance Deadlines for Employers

SSS **Monthly** → Last day of the following month

PhilHealth **Monthly** → Employers with PEN ending in 0-4: 11th to 15th day of the month following the applicable period.
Employers with PEN ending in 5-9: 16th to 20th day of the month following the applicable period

Pag-IBIG **Monthly** → A-D 10th to the 14th day of the following month
E-L 15th to the 19th day of the following month
M-Q 20th to the 24th day of the following month
R-Z, numeral 25th to the end of the following month

***** For Pag-ibig Loans -*** *On or before the 15th day of each month*

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MANDATORY CONTRIBUTIONS

Late / Non-Remittance of Statutory Contributions

Delayed Payment
Employer fails to remit within the deadline: SSS 2%/month; PhilHealth 3%/month; Pag-IBIG 1/10th of 1%/day interest accrues from due date.

Non-Remittance / Evasion
Employer deducts contributions from employee wages but does not remit to the fund
Underreporting of compensation to reduce contribution amounts
Failure to register employees within 30 days of employment
Exceptions: Force majeure situations may be considered upon application to the relevant agency

Penalties & Enforcement
Full overdue amount + applicable interest/penalties
SSS: Criminal prosecution under RA 11199; employer officers may face imprisonment
PhilHealth/Pag-IBIG: Administrative sanctions + civil/criminal liability for responsible officers

Personal Income Tax Compliance Administration

Personal Income Tax (PIT) Overview

- Philippine PIT is administered by the Bureau of Internal Revenue (BIR) under National Internal Revenue Code, as amended by RA 10963 (TRAIN Law)
- Employers withhold income tax from compensation and remit through the Creditable Withholding Tax system.
- Scope of taxation is based on residency status: residents taxed on worldwide income; non-residents on Philippine-sourced income only.
- The Philippines adopts substituted filing: employees with one employer for the year and whose tax equals the amount withheld need not file a separate annual ITR.
- Foreign tax credits may be claimed to eliminate double taxation where income is taxed both in the Philippines and abroad (subject to tax treaty provisions).

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Personal Income Tax (PIT) Overview

PHILIPPINES PIT

SCOPE OF TAXATION

Resident Citizens

- Taxed on world-wide income

Non-resident Citizens/Resident Aliens:
/Non-resident Aliens

- Taxed only on Philippine-source income

TAX RESIDENCY

Resident Citizen - Filipino citizen residing in the Philippines

Non- resident Citizen - A Filipino citizen who works and resides abroad and meets the conditions under Philippine tax rules.

Resident Alien - A foreign individual who resides in the Philippines and intends to remain for an extended period.

Non-resident Alien - A foreign individual whose residence is not in the Philippines

TAX YEAR

Based on calendar year (Jan – Dec)

TAX RATES

Employment Income

- Progressive rates: 0% to 35%

Non- resident Aliens

- Engaged in Trades/Business: 0% to 35%
- Not engaged: 25% final tax

PERSONAL INCOME TAX (PIT)

Scope of Taxation

SALARY, WAGES RELATED INCOME	NON-EMPLOYMENT INCOME
Compensation income (basic salary, allowances, bonuses, commissions, fringe benefits above de minimis);	1. Business/professional income; 2. Passive income (interest, dividends, royalties – generally subject to final withholding tax); 3. Capital gains from sale of shares (15% final tax on net capital gain); 4. Capital gains from real estate (6% on gross selling price or zonal value, whichever is higher); 5. Prizes and winnings (20% final tax above ₱10,000); 6. PCSO/lotto winnings: exempt up to ₱10,000; 20% above; 7. Royalties from books, literary works and musical compositions: 10% final tax; others: 20%.
Tax to be declared and paid • provisionally on a monthly or quarterly; and • Business/professional income: Quarterly and annual ITR filing required.	Passive income: Generally subject to final withholding tax at source; no separate filing required.

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PERSONAL INCOME TAX (PIT)

Tax Reporting Requirements

	TIN Registration:	Employer files on behalf of new employees (BIR Form 1902)
Frequency	One-off	Ad hoc update
Deadline	• Within 10 days from date of employment or commencement of business • TIN is permanent; employees must inform new employers of existing TIN	

Monthly Withholding Remittance	
Monthly	**Quarterly**
BIR Form 1601-C: 10th day of the following month (eFPS: staggered by industry group)	BIR Form 1601-EQ: Last day of the month after the quarter

Year-End Reporting	
Annual	**Employee copy**
Employer: BIR Form 1604CF. January 31 of the following year. Individual: BIR Form 2316.	Active EEs – Jan 31 of the following year. Terminated EE – Part of the final pay kit.

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Foreign Employee Management

Foreign Employee Management

What authorisation do foreign nationals need to work in the Philippines?

- Governing: DOLE Department Order No. 221-21 (baseline); DOLE Department Order No. 248-2025 (latest updates)
- Who must apply: All foreign nationals working in the Philippines (subject to exemptions)

Who Files

The EMPLOYER (not the foreign national) files the AEP application with the DOLE Regional Office where the work will be performed.

Required Documents

- Duly accomplished AEP application form
- Certified copy of valid passport
- Employment contract or appointment letter
- Proof of educational/professional qualifications
- NBI/police clearance from country of origin
- 2x2 passport photos

Processing Time:

- 15 working days from receipt of complete documents
- Temporary Work Permit (TWP) may be issued for urgent business needs

Validity & Renewal

AEP valid for 1 year; renewable annually

Position- and employer-specific; must be updated if role or employer changes

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Visa Types | AEP Exemptions

AEP Exemptions (DOLE DO 221-21):

The following are exempt from AEP: but must secure Certificate of Exemption (COE) or Certificate of Exclusion (COX)

- Diplomats and foreign government officials
- Officers/staff of international organisations (UN, ADB, WHO)
- Foreign nationals under government-to-government agreements
- Non-compensated Board Directors / Trustees (no operational role)
- Certain project-based consultants (case-by-case)
- Dependents (not allowed to work unless separately authorised)
- Other categories as determined by DOLE

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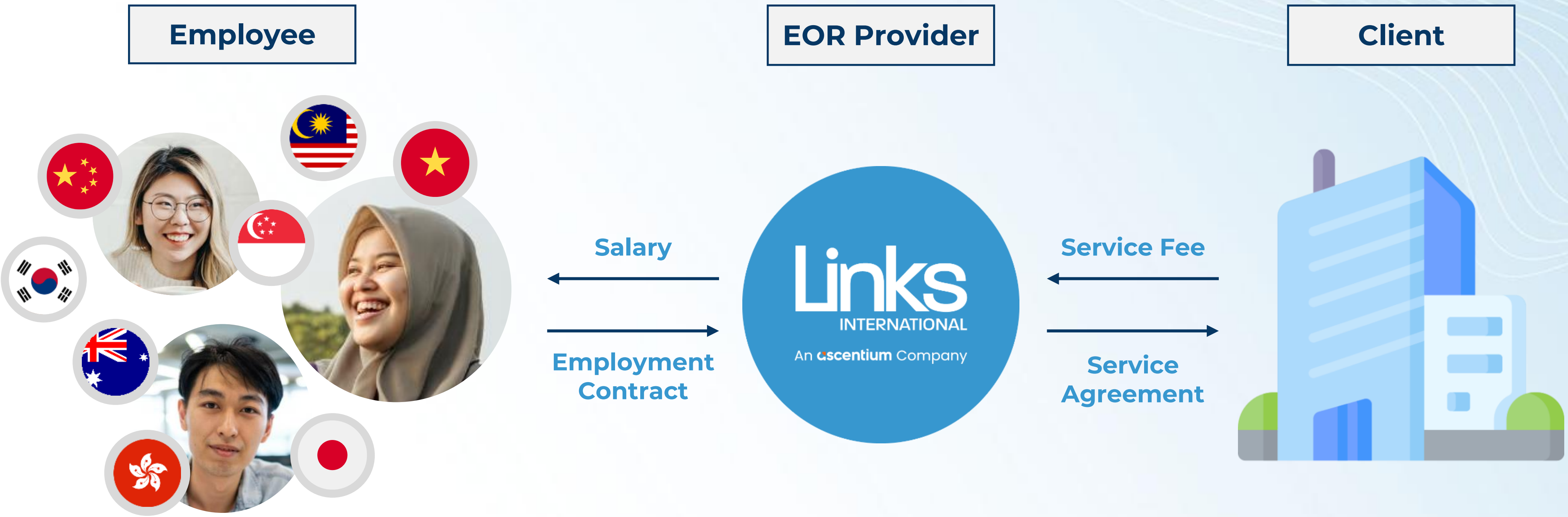
Legislation Update

Update	Description
Wage Order NCR-26 – Effective 18 July 2025	Increased the daily minimum wage in the National Capital Region to ₱695. Other regions issued separate Wage Orders. Employers should verify the applicable rate for each workplace region at www.nwpc.dole.gov.ph.
Increases Minimum Wages in Cagayan Valley – Effective 5 November 2025	Non-agricultural workers will receive a PHP 20 daily increase, while agricultural workers will receive PHP 40, bringing the minimum daily wage for both sectors to PHP 500. The order covers Tuguegarao, Cauayan, Santiago and Ilagan, as well as Cagayan, Isabela, Quirino, Nueva Vizcaya and Batanes. Domestic workers will receive a PHP 500 monthly increase, raising the regional minimum wage to PHP 6,500 per month.
Centralised AEP processing – 9 June 2026	As of 9 June 2026, AEP-related processing has been transferred to the DOLE Central Office. DOLE regional offices are no longer handling new or renewal AEP applications, AEP exemption/exclusion applications, assessment, or issuance. Pending applications received by regional offices on or before 8 June 2026 are to be transferred to the Central Office for processing.

Employer of Record (EOR)

What is an Employer of Record?

A EOR provider acts as the legal employer of a client's employees and seconds the employee back to the client under a service agreement enabling you to hire anyone, anywhere in Asia and the Middle East **within 48 hours.**



Did you know?

The Employer of Record was a $4.2B USD industry in 2021 and is forecast to reach USD6.8B by 2028!
Source: Valuates Reports

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Hire anyone, anywhere, in **48 hours!**

Key reasons Clients engage EOR services

Speed to market

Compliantly hire anyone, anywhere in Asia and the Middle East in **less than 48 hours** with on the ground HR support

Flexibility & Cost

Expand into new markets **without** incurring the **cost**, **commitment** and **timeline** associated with setting up a new legal entity

Wider Talent Pool

Access a wider talent pool by **hiring** in demand **skillsets** from **anywhere** in Asia and the Middle East

M&A Activity

Simplifying corporate structure by **closing legal entities** and moving 'orphaned employees' under an **EOR provider** to save ongoing costs

Mobility & Retention

Retain staff by allowing them to **relocate anywhere** in Asia and the Middle East & work remotely

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