

## Comparison of Corporate Legal Systems Between China and the Philippines

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**Abstract:** The Philippines is an economic open country, since the Philippine president Duterte officially signed the amendment to the company law, the country has actively encouraged foreign investment in the local, and more open and free in the construction of the company's legal system. Even in the Philippines, the establishment of a one-person company has been allowed to remove the minimum registered capital limit, allowing companies to use electronic data information and e-mail notifications to change the company's life span from the previous 50 years to a permanent one. It can be seen from the construction of legal system that the Philippines is very different from our country in the construction of corporate legal system.

### 1. Introduction

Along with the continuous development of China's "Belt and Road" strategic construction, the trade cooperation relationship between Chinese enterprises and Philippine enterprises is increasing day by day, and the investment of the Philippines from China in 2019 alone is as high as 48.7 billion yuan, an increase of 7.5 times over the same period last year. In the process of cooperation with Philippine companies, Chinese companies also found their own common points and similarities in the corporate legal system and the country of the Philippines.



Figure 1 Corporate legal system

### 2. What China and the Philippines Have in Common in the Construction of Corporate Legal System

Compared with the Philippines, our country has established several preferential terms of the company system, and it is also very rich in the restriction and prohibition, which are the obvious common features of the two countries in the corporate legal system. In the Philippines, the construction of the corporate legal system is subordinate to the "foreign law" system, so the basic policy links between the state and foreign enterprises are very close. The same is true of China, which has been comprehensive in its policy of encouraging and restricting foreign companies in order to develop its national economy.

#### 2.1. Common Points in Attitudes Towards Business

In particular, the two countries have laid down the principle of "equality of all internal and

external enterprises" legal system, and at the same time, there are many restrictions on the company's business scope, on the one hand, the restrictions on the company's business scope, taking industrial enterprises as an example, the country is roughly divided into three categories: heavy industry, basic industry and public utilities with strategic significance in the first and second types of industrial system, with more than 30 types, including government-owned enterprises and foreign enterprises. These three groups have clear regulatory limits, as do the Philippines of China. In order to encourage the development of foreign companies at home, both countries have enacted laws such as the Foreign Investment Act, the Domestic Investment Act and so on, giving more preferential policies to foreign enterprises in tax laws, such as allowing foreign enterprises to exempt from company tax, property tax, capital stamp duty and import duty for equipment imported from production to five years. Furthermore, if a company loses money during the duty-free period, it may collect certain compensation in the taxable profits after the duty-free period. In addition, foreign companies are accorded a number of rights, such as the free remittance of profits and the confidence to deal with labour issues.

From the above point of view, it is no accident that the two countries have formed a common point in the company's legal system, because the two countries also have common ground in the construction of economic development mechanism, that is, both countries have a relatively free development attitude, especially since China's foreign reform and opening up in foreign trade, and allowing more abundant capital and advanced technology to enter into China's development, which is different from the Philippines in encouraging foreign-funded enterprises to develop investment. The two countries have formed a resonance in the capital and technological advantages of foreign companies and promoted the sound development momentum of the national economy. Of course, the two countries also have the same strong performance in the rationalization of foreign enterprises in the domestic excessive development, so in the construction of ethnic enterprises, both countries have spared no effort to use the national enterprises to form a monopoly prevention mechanism for foreign capital and enterprises, that is, to use the other side's development strengths to make up for their own development weaknesses, to achieve the purpose of rational utilization and allocation of foreign capital, and to achieve the goal of judging the situation development[1].

## 2.2. Common Ground for Strict Normative Practice

China and the philippines are the staunch adherents of strict standards doctrine. First, the philippines is influenced by countries such as britain, the united states and the netherlands, and has strict standards in the construction of the current corporate legal system. The same is true in China, where punitive measures have been particularly strengthened to adhere to the principle of strict norms, which is conducive to the protection of the economic development of domestic and foreign companies, and more emphasis on rationalization in the construction of property relations. In the light of this strictly normative principle, Chinese companies have established a bond-shareholder interest system on the basis of the same multiplication measures as the Philippines, which protect the legitimate rights and interests of their companies on the basis of economic and property relations with foreign companies[2].



Figure 2 Shareholder interests

### 3. The Similarities and Differences Between China and The Philippines in the Construction of Corporate Legal System

After all, China is a socialist country and the Philippines is a capitalist country, so there are similarities and differences between the two countries in the construction of corporate legal system.

#### 3.1. Similarities and Differences in Legislative Models

From a legislative point of view, the two countries have different views on the legislative model of corporate law. The Philippines adopts the typical Anglo-American law system of corporate law, which is unwritten, but the corporate law of the Philippines is written. Its legislative type also incorporates the Philippine commercial code content, in the company law legal commitment content construction quite rigorously in place.

In contrast, china adopts the civil law system, and the company law also incorporates more commercial legal content. However, due to the influence of china's reform and opening-up economic development policy, in order to ensure that the company law is sufficiently open and rational, china has also established an education model based on the company legislation model, which mainly focuses on the property evaluation, loan, financing, investment and so on in the enterprise company. So in general, there are differences between China and the Philippines in the legislative model[3].

#### 3.2. Varieties and Similarities of Companies

Compared with Chinese companies, there are two types of companies in the Philippine company law: the public offering company and the non-public offering company. In the Philippine company law, the two kinds of companies exist simultaneously, and the company's share offering company is publicly displayed in the form of open voting, and the stock trading volume and the holding content of the company are reasonably regulated in the process of stock trading. It also allows companies to freely transfer share certificates.

In china, there are "private companies" that are no different from the philippines because the company's legal content is more strictly regulated and the company is not publicly available at home, but it is able to present a public financial report audit fix, write balance sheets and business reports, and disclose profit and loss calculations. For some small and medium-sized companies, they set up a public offering. Therefore, this also proves that some non-public companies in China have a considerable scale of development and rights, in the company's operating conditions are quite free to open, and strictly implement the basic principles of publicity. But unlike the philippines, chinese companies are doing more freely. It should be noted that the Philippines is optimizing the adjustment of corporate tax relief policies under the Foreign Investment Act, and that Chinese companies are relatively strict in this regard.



Figure 3 Public offering companies

#### 3.3. Similarities and Differences in Type of Employment

The Philippines classifies the types of employees employed under the Labour Code, whose companies have regular, informal, project and seasonal employees. The classification of employees is so clear that it reflects the fairness and equality of welfare. According to the state law, companies

are not allowed to marry in companies that employ women, nor are they allowed to marry and have children on time, because this could lead to criminal and civil disputes.

In contrast, the type of employment in companies in china is not as classified as in the philippines, mainly by type of occupation and department, because chinese companies are more demanding in terms of their staff's ability to do business, so they also strengthen a survey of their work on the establishment of the company law to ensure that employees can adapt to their professional and technical positions and better serve the company. Based on the contents of the Company Law of China, it is necessary to establish the correct dismissal procedure for the employees of the company. It is mainly standardized in written form, supplemented by oral conversation, and is very diversified in communicating with the employees, which details the real reasons for the termination of employment.[4].

#### **4. Conclusion**

In China and the Philippines, the common points and similarities and differences in the construction of the company's legal system are as rich. In the development and construction of the company, companies have always followed the proper development procedures and national policies to pursue the integrity and functional richness of the system and mechanism construction. It must also be recognized that it takes a long time for the state to establish a complete enterprise legal system to be guaranteed, so from the provisions of the designated company legal system to the implementation, enterprises need to continue to practice and try to sum up their experience in success and failure, strive to establish a mature, stable and sound company legal system suitable for their own development, and combine their own company norms to achieve perfection.

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