



## VAT standard rate

On September 21, 2021, the Philippine authorities approved a bill that imposes a 12% value-added tax (VAT) on non-resident digital service providers that sell, exchange, barter, or lease goods, property, and services through digital or electronic platforms. 12% of gross income received from the sale or exchange of services, including the use or lease of property.

This draft law will come into force on July 1, 2023. (House Bill No. 4122 is similar to House Bill No. 7425, which was approved by the Philippine authorities on September 21, 2021, which imposes a 12% value-added tax (VAT) on non-resident digital service providers that sell, exchange, barter, or lease goods, property, and services through digital or electronic platforms, but it has not received Senate approval.)

Both the previous and the current draft law introduce a 12% value added tax (VAT) for non-resident digital service providers that sell, exchange, barter or lease goods, property and services through digital or electronic platforms.

It has been sent to the Senate and, if approved, will come into force 15 days after its adoption, and suppliers and non-residents will be subject to VAT 180 days after its commencement.)

## Threshold

Non-resident digital service providers with annual gross revenues exceeding PHP 3 million (approximately USD 60,000) are required to register for VAT.

## Deductible VAT

There are no VAT deductions for all electronic service providers in the Philippines.

## Pieces of evidence

To determine that the place of supply of electronic services is the Philippines, it is only necessary to provide services to any person residing in the Philippines. This includes persons using the services for personal consumption as well as those using them for trade or commercial purposes.

## E-services list

The list of digital services includes the following:

- Software licensing, updates, and add-ons, including website filters and firewalls.
- Mobile applications, video games, and online games.
- Webcasts and webinars.
- Digital content such as music, files, images, text, and information.
- Advertising platforms that provide online advertising space on intangible media platforms.
- Online platforms that allow the sale, display, and comparison of prices for goods or services, such as electronic marketplaces or networks.
- Search engine services.
- Social networks.
- Databases and hosting, including website hosting, online data storage, file sharing, and cloud storage services.
- Internet telecommunications.
- Online publications and magazine subscriptions.
- Payment processing services.

## Registration procedure

To become a VAT payer in the Philippines, individuals or businesses must complete a designated form (Form No. 0605) for each location where their business operates. A registration fee of 500 pesos (approximately 30 USD) is required to complete the registration process.

## Tax representative

Non-resident companies or non-resident intermediaries that provide electronic services and register for VAT are required to appoint a representative to act as your local agent and be responsible for fulfilling your tax obligations on your behalf.

## Keeping records

For non-resident companies that are e-service providers in the Philippines, the general requirement for keeping accounting records is five years. These records should be maintained and readily accessible for review by the Bureau of Internal Revenue (BIR) or other relevant government agencies during that period.

## Filing VAT return

VAT-registered taxpayers are no longer required to file the Monthly VAT Declaration for transactions starting January 1, 2023. Instead, they will file the corresponding Quarterly VAT Return.

The Quarterly VAT return must be submitted no later than the 25th day after the end of the tax quarter, reflecting gross income (for a seller of services) The Quarterly VAT return must reflect the consolidated amount for all taxable activities and all establishments – head office and branches.

The Summary List of Sales/Purchases must be submitted no later than the 25th day of the month following the end of the tax quarter – calendar or financial quarter.

## VAT payment date

Electronic service providers are required to make payments within 25 days after the end of the tax quarter.





















