

**BDB** Law

DU-BALADAD AND ASSOCIATES

# **DOING DIGITAL BUSINESS IN THE PHILIPPINES: VAT Implementation Guide For Nonresident Digital Service Providers**

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collaborating with **Andersen Global**  
in the Philippines

# Timeline of the VAT on Digital Services

**October 3, 2024**

Signing into law of Republic Act No. 12023 or the VDS

**January 17, 2025**

Issuance of RR No. 3-2025

**June 2, 2025**

Mandatory imposition of VAT on all digital services

Effectivity of VDS

**October 18, 2024**

Initial deadline for registration

**April 2, 2025**

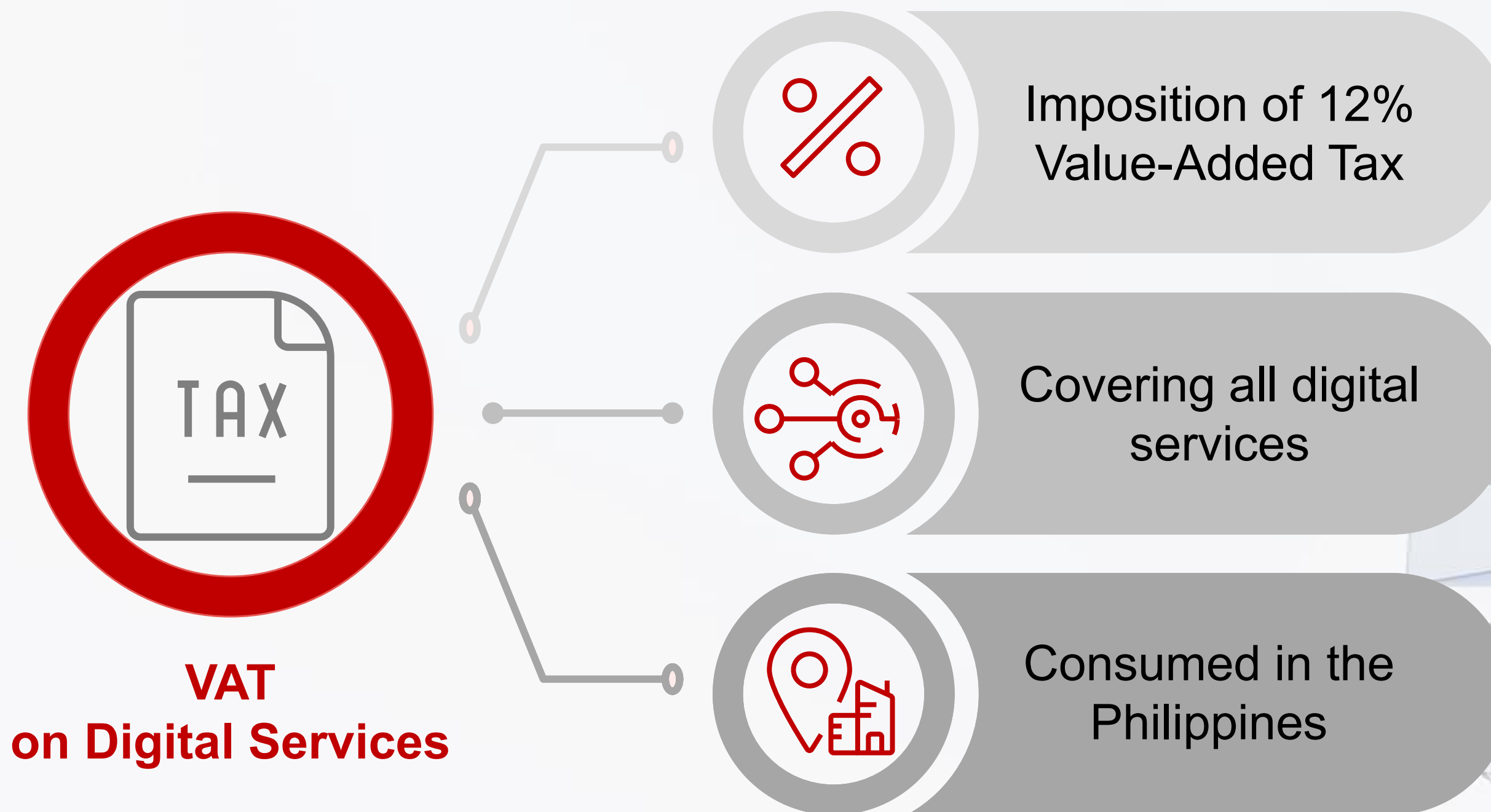
*Deadline extended to July 1, 2025*

Initial filing and payment (NDSPs)

**July 25, 2025**

*Deadline extended to August 5, 2025*

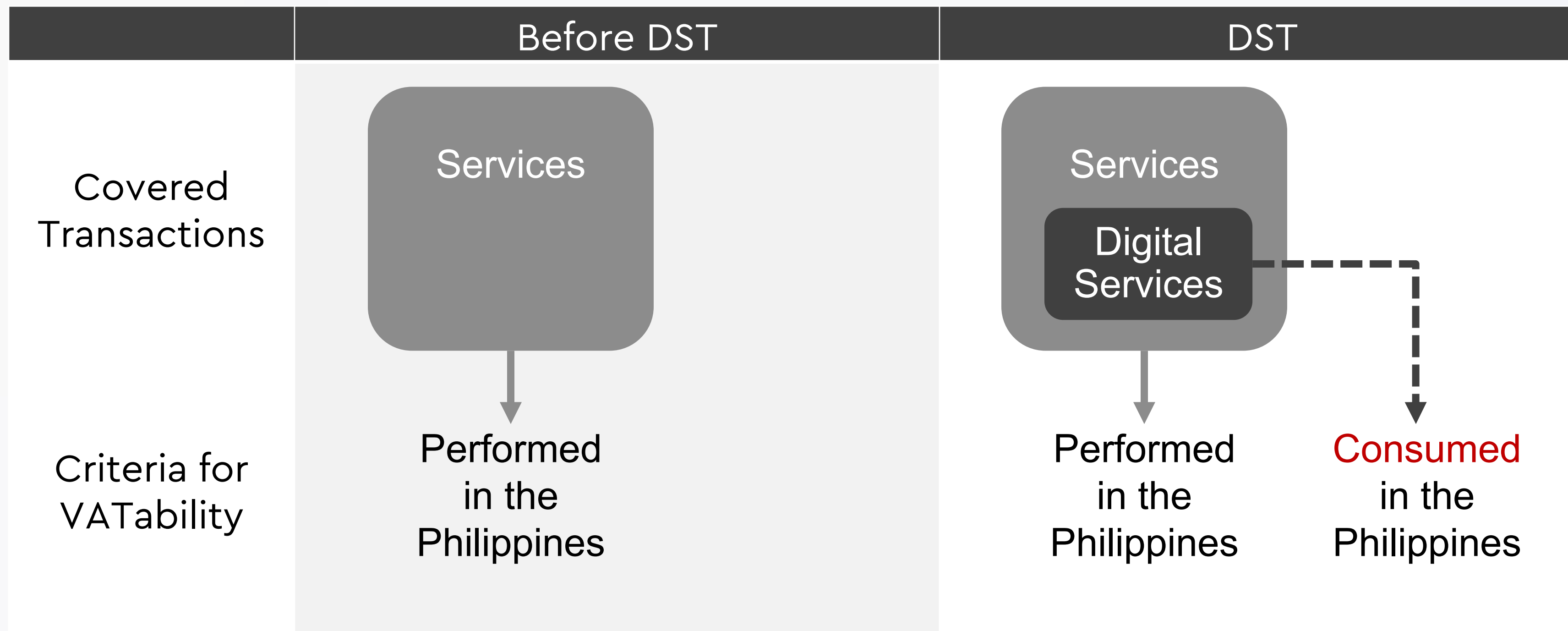
# VAT on Digital Services – In a Nutshell



**VAT**  
**on Digital Services**

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# Digital Services as VATable Transactions



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# Digital Services as VATable Transactions

Digital services refer to any service that is:

supplied over the internet or other electronic network using IT

AND

where the supply is essentially automated.



There is no definition provided for in the law and/or regulations for the above terminologies.

# Digital Services as VATable Transactions

List of digital services (not exclusive)

Online search engine

Online/e-marketplace

Cloud service

Online media and advertising

Online platform

Digital goods

# Digital Services as VATable Transactions

List of digital services (not exclusive)

- ☑ Cloud and IT infrastructure
- ☑ E-commerce/payment
- ☑ Digital marketing/analytics
- ☑ Communication/collaborative software
- ☑ E-learning/professional platforms
- ☑ Data analytics/AI
- ☑ Cybersecurity
- ☑ Encryption
- ☑ System maintenance/optimization
- ☑ Online consultations through digital platforms
- ☑ Interactive media

# VAT-Exempt Digital Services

The following digital services are now considered VAT-exempt:

**Online courses, seminars, and trainings** rendered by DepEd/TESDA/CHED-accredited private educational institutions or government educational institutions

Sale of **online subscription-based services** to DepEd, TESDA, CHED, and recognized educational institutions

Services of banks, non-bank financial intermediaries performing quasi-banking functions, and other non-bank financial institutions rendered **through digital platforms**

# Registration Requirements

All digital service providers shall be liable to register for VAT purposes.

In general, registration should be:

- ☑ On or before the commencement of business; or
- ☑ Before payment of any tax due; or
- ☑ Upon filing of a return, statement, or declaration.

# Payment and Remittance of VAT

**General Rule:** Digital service providers are liable for payment and remittance

## Special Rule for Nonresident Digital Service Providers:

RA No. 12023	RR No. 3-2025	VAT Remittance
For VAT consumers	B2B <i>Consumers <u>engaged</u> in business</i>	Reverse charge mechanism applies
For non-VAT consumers	B2C <i>Consumers <u>not engaged</u> in business</i>	Nonresident digital service provider is liable to remit

# Payment and Remittance of VAT

## Special Rule for Digital Service Providers that are also Online/E-marketplaces with Nonresident Merchants:

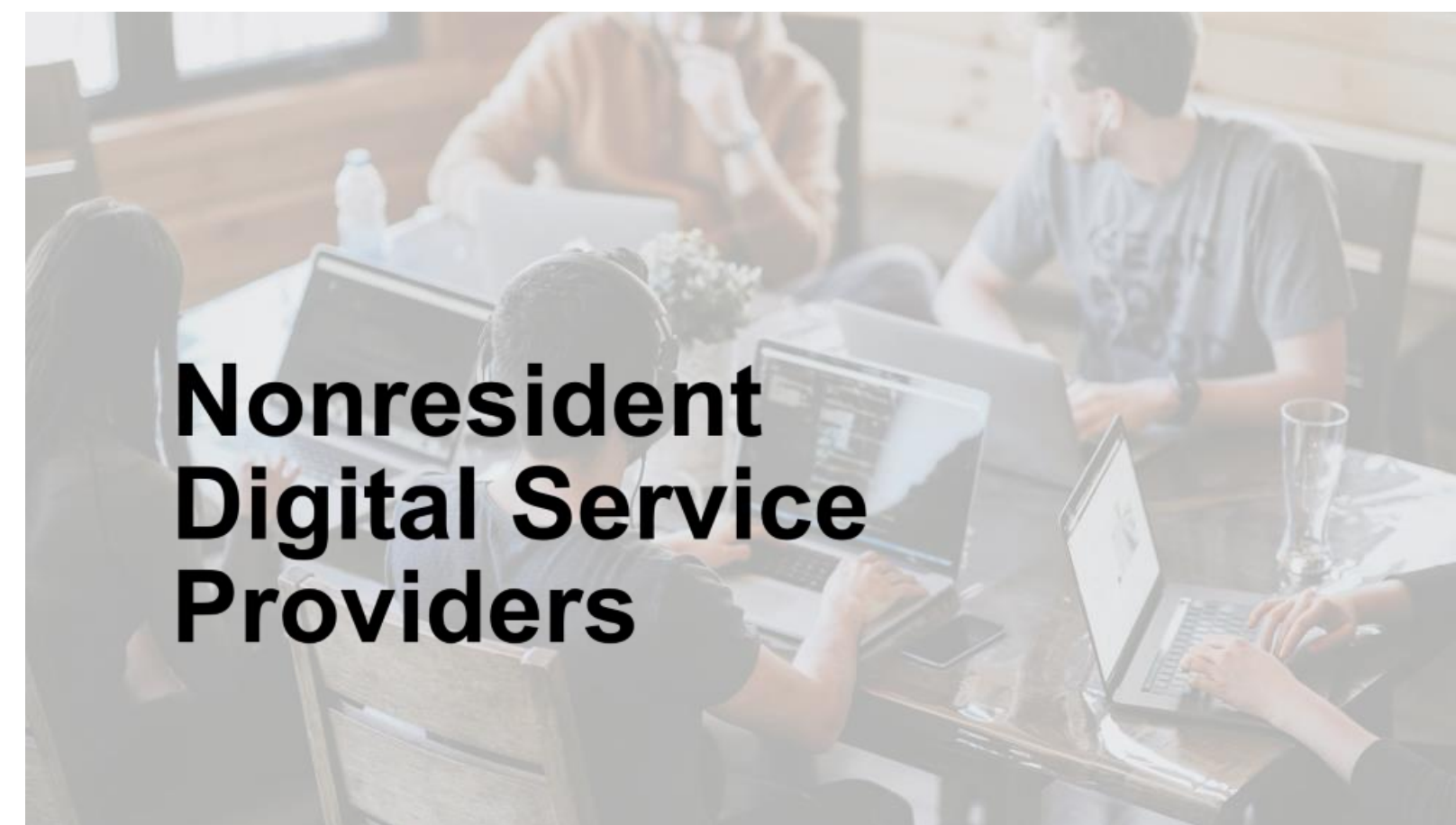
Type of Digital Service Provider	RA No. 12023	RR No. 3-2025
Resident Digital Service Provider	Withholding VAT applies	Withholding VAT applies
Nonresident Digital Service Provider that has control over key aspect of the supply and either: <ul style="list-style-type: none"> <li>☑ sets the terms and conditions of the supply of digital services; or</li> <li>☑ involved in the ordering or delivery of the digital service</li> </ul>	Nonresident Digital Service Provider is liable to remit	Nonresident Digital Service Provider is liable to remit

# Payment and Remittance of VAT

How to determine the status of the parties?

- ☑ Based on submitted documents/information
  - Inability of the digital service provider to determine the status of the buyer despite good faith and reasonable effort = **Buyer is presumed to be not engaged in business**
  
- ☑ Reliance on the submitted documents/information shall absolve the contracting party from any tax liability absent any fraud or negligence

# Compliance, Issues, and Other Concerns



A conference room with a white table and black chairs. The room is brightly lit by large windows with sheer curtains. The floor is dark wood. The text "B2B Customers" is overlaid in the center of the image.

**B2B Customers**

# Determination of Status

- ✓ Submit documents/information showing the TIN and/or status (whether *Business* or *Consumer*)

*Question:*

*What if the B2B customer does not provide its TIN or status to the nonresident digital service provider?*

# DST *vis-à-vis* Tax Incentives

*Question:*

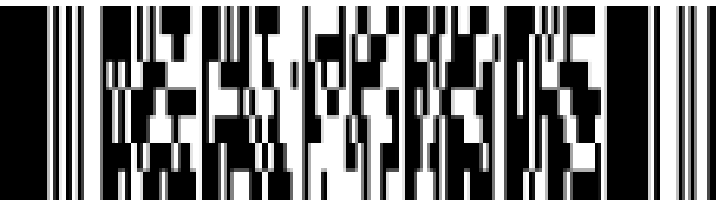
*Are digital services purchased by registered business entities (those enjoying VAT exemption/zero-rating) subject to 12% VAT?*

Under RMC No. 47-2025, digital services rendered by nonresident digital service providers are eligible for VAT exemption if directly attributable to the registered activity or export activity.

However, the RMC is silent about digital services rendered by resident digital service providers.

# Payment and Remittance of VAT

- ☑ Withhold the 12% VAT
- ☑ File the required remittance return
- ☑ Remit the 12% VAT to the BIR (*Reverse Charge Mechanism*)

For BIR Use Only	BCS/Item:		Republic of the Philippines Department of Finance Bureau of Internal Revenue
BIR Form No. <b>1600-VT</b> January 2018 Page 1	<b>Monthly Remittance Return of Value-Added Tax Withheld</b> <small>Enter all required information in CAPITAL LETTERS using BLACK ink. Mark applicable boxes with an "X". Two copies MUST be filed with the BIR and one held by the Taxpayer.</small>		1600-VT 01/18 P1

*Due on the 10<sup>th</sup> day following the month of withholding*

# Proof of Creditable Input Tax



- ☑ Unlike regular purchase of services, the input tax from the purchase of digital services shall use the **filed withholding VAT return (BIR Form No. 1600-VT)** as proof
  
- ☑ Nonetheless, it is prudent to ensure that there is an invoice bearing the following minimum information:
  - Date of the transaction
  - Transaction reference number
  - Customer identification (*e.g.* TIN)
  - Brief description of the transaction
  - Total amount with VAT or, in case the amount excludes VAT, a footnote/annotation that the Philippine customer shall be responsible in remitting the VAT



# **Nonresident Digital Service Providers**

# Registration Requirements

A simplified automated registration system shall be established

<p>Step 1</p>	 <ul style="list-style-type: none"><li>✓ ORUS allows the initial registration/updating</li><li>✓ It provides the TIN and the COR</li></ul>
<p>Step 2</p>	 <ul style="list-style-type: none"><li>✓ Platform dedicated for nonresident digital service providers</li><li>✓ Handles tax return filing and payment of corresponding VAT, if any</li></ul>

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# Appointment of Tax Representative

*Question:*

*Are nonresident digital service providers required to appoint a local tax representative?*

No. For online registrations, appointment of a local tax representative is **OPTIONAL**.

However, if registration is to be done manually, a local tax representative must be appointed.

# Additional Text in Registered Address

If a nonresident digital service provider encodes its registered address in ORUS, an additional text (*i.e.* **OTHER COUNTRY**) would appear in its Certificate of Registration

Example: ABC Co. would register using ORUS –


Registered address encoded in ORUS	121 Albright Way, Los Gatos, CA 95032, USA
Registered address appearing in its COR	121 Albright Way, <b>OTHER COUNTRY</b> Los Gatos, <b>OTHER COUNTRY</b> CA 95032, USA

# Missing Tax Type

Upon registration in ORUS, nonresident digital service providers will be asked for the tax type applicable to them (*i.e.* Value-Added Tax).

However, the resulting Certificate of Registration may omit/not show the tax type covered by the registration.

BIR FORM  
**2303**  
REVISED: AUGUST 2024

  
 REPUBLIKA NG PILIPINAS  
 KAGAWARAN NG PANANALAPI  
 KAWANIHAN NG RENTAS INTERNAS  
 REVENUE REGION NO. 07A - QUEZON CITY  
 REVENUE DISTRICT OFFICE NO. 039 - SOUTH QUEZON CITY  
 Bringing In Revenues  
 for Nation-building

OCN: [REDACTED]  
Date OCN Generated: [REDACTED]

**CERTIFICATE OF REGISTRATION**

<b>TIN &amp; BRANCH CODE</b>	<b>NAME OF TAXPAYER</b>	<b>TIN ISSUANCE DATE</b>
[REDACTED]	[REDACTED]	[REDACTED]
<b>TAXPAYER TYPE/S</b>	NON-RESIDENT - DIGITAL SERVICE PROVIDER	
<b>REGISTERING OFFICE</b>	x	Head Office
		Branch
<b>REGISTERED ADDRESS</b>		
[REDACTED]		

TAX TYPES	FORM TYPES	FILING START DATE	FILING FREQUENCY	FILING DUE DATE

**BUSINESS INFORMATION DETAILS**

	<b>CATEGORY</b>	<b>REGISTRATION DATE</b>
<b>TRADE NAME 1 (PSIC)</b>		
[REDACTED]	Primary	
<b>Line of Business</b>		
[REDACTED]		

# Payment of Documentary Stamp Tax

Upon successful registration using ORUS, an email will be sent to the registered email address with some reminders, including:

## REMINDERS:

*You may proceed to payment of P30.00 Documentary Stamp Tax (DST) by clicking the "Pay" button on your Profile page after logging into your ORUS account through*

*Please note that P30.00*

*DST is required to complete your registration with the Bureau.*

However, by clicking the link in the email, the nonresident digital service provider would be directed to the ORUS login page. Upon logging in, the dashboard would show **NO PENDING PAYMENT ORDER.**

# Amendment of Filed VAT Returns

There are current limitations in the amendment of tax returns via the VDS Portal:

With or Without VAT Due	Amendment Process
VAT Return with no VAT due	May be amended anytime
VAT Return with VAT due	May not be amended <b>unless the VAT due in the previous return had already been paid</b>

*Implication:*

In case of amendments resulting in excessively paid VAT, the excess cannot be refunded and would be carried over to the next quarter as advance payment.

# Transitory Rule for B2B Transactions

## *Transitory Rule:*

Services rendered starting June 2, 2025 are subject to VAT. However, if there has been advance payments before June 2, 2025, the **liability to pay and remit the VAT shall be with the nonresident digital service provider** since the buyer no longer has control over the payment.

## *Effect of the transitory rule to B2B transactions:*

For digital services rendered starting June 2, 2025	If payment was made <b>ON OR AFTER</b> June 2, 2025	Reverse charge mechanism applies
	If payment was made <b>BEFORE</b> June 2, 2025	Nonresident digital service provider shall pay and remit

# Future Reportorial Requirements

The Quarterly VAT Return (BIR Form No. 2550-DS) only requires the reporting of total figures with no breakdown:

Part III – Computation of VAT Payable			
17 Gross Sales for the Quarter			
18 Less: Gross Sales Subjected to Withholding Tax			
19 Balance Subject to VAT <i>(Item 17 Less Item 18)</i>			
20 VAT Rate		1 2	0 %
21 VAT Payable <i>(Item 19 multiply by Item 20)</i>			

## *Implications:*

- ☑ Detailed supplemental reporting (like SLSPI) would be required in the future.
- ☑ How will VAT-exempt/zero-rated digital services be reported/shown in the VAT return?

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