

ADVISORY ON IMPOSITION OF WITHHOLDING TAXES ON ELECTRONIC MARKETPLACE OPERATORS AND DIGITAL FINANCIAL SERVICE PROVIDERS

20/F Chatham House
Valero cor. Rufino Sts.



Salcedo Village
Makati 1227



www.bdblaw.com.ph
info@bdblaw.com.ph



T: (632) 8403-2001



PAGE NOS.

**BIR REVENUE REGULATIONS
NO. 16-2023**

3

**Further amending the provisions of
Revenue Regulations No. 2-98, as
amended, to impose withholding tax
on gross remittances made by
Electronic Marketplace Operators and
Digital Financial Services Providers to
Sellers/Merchants**

*Copyright © 2024 by Du-
Baladad and Associates (BDB
Law). All rights reserved. No
part of this issue covered by
this copyright may be produced
and/or used in any form or by
any means – graphic, electronic
and mechanical without the
written permission of the
publisher.*

MEMBER FIRM OF

wts global

**Imposition of Withholding Tax on Gross Remittances Made by
Electronic Marketplace Operators and Digital Financial Services
Providers to Sellers/Merchants**

General Rule: Remittances of electronic marketplace operators and digital financial services providers to merchants shall be subject to creditable withholding tax as follows:

Withholding Tax Rate	Withholding Tax Base
One percent (1%)	On one-half (1/2) of the gross remittances by e-marketplace operators and digital financial service providers to the sellers/merchants for the goods/services sold/paid through their platform/facility

Exception: The withholding tax will not apply in the following instances:

- Annual total gross remittances to an online seller/merchant for the past taxable year has not exceeded P500,000.00; or
- Cumulative gross remittances to an online seller/merchant in a taxable year has not exceeded P500,000.00; or
- Seller/merchant is exempt or subject to a lower income tax rate provided that the necessary certification, clearance, ruling, or any other document serving as proof of entitlement to the exemption or lower income tax rate is secured and presented to the e-marketplace operator or digital financial services provider.

Definition of Terms

Gross Remittance. The total amount received by an e-marketplace operator or digital financial services provider from a buyer/consumer for goods/services sold/paid through the platform/facility of the e-marketplace operator or digital financial services provider, excluding:

- Sales returns/discounts, delivery/shipping fees, and value-added tax; and
- Consideration for the use of the e-marketplace or digital financial services platform.

The collection of gross remittances shall cover the following payment arrangements:

- Electronic wallet (e-wallet) of the e-marketplace operator being maintained by the online consumer;
- Payment of the online consumer using the e-wallet feature of a digital financial services provider for the account of the e-marketplace operator; and

- Payment in cash deposited or transferred to the account of the e-marketplace operator.

Electronic Marketplace. A digital service platform to connect online buyers/consumers with online sellers/merchants, facilitate and conclude sales, process the payment, facilitate shipment/logistics, and post-purchase support within such platforms. It includes, but is not limited to the following:

- Marketplace for online shopping;
- Food delivery platform;
- Platform for booking resort, hotel, motel, inn, house, condominium unit, bedspace, room for rent, and other similar lodging accommodations in the Philippines; and
- Other similar online service or product marketplaces.

Digital Financial Services Platform. Financial technology is capable of offering a wide array of services of financial nature that are made available to the public through the internet, mobile application, or other similar means.

The withholding tax imposed shall cover remittances made by digital financial services providers:

- Thru its e-wallet feature or other similar modes of payment; and
- Money transmission for purchases whether directly from physical stores or through website or mobile application of the seller/merchant.

Provided that if the **issuer**¹ and the **acquirer**² are different, the withholding tax shall be imposed on the remittances by the acquirer to the seller/merchant.

Existing Withholding Tax Obligations

This withholding tax imposition is in addition to the existing withholding tax obligations being imposed to the e-marketplace operators and digital financial services provider such as, but not limited to, withholding taxes on payment:

- To transportation contractors; and
- For commissions.

¹ *Issuer* refers to a digital financial services provider that holds or has the duty to safekeep the money/financial assets on behalf of the buyer/consumer.

² *Acquirer* refers to a digital financial services provider that processes the transactions of credit or debit card payments on behalf of the seller/merchant.

Mandatory Registration

All online sellers/merchants shall register with the BIR on or before the commencement of business in an e-marketplace platform. E-marketplace operators shall likewise:

- Require the submission of the online sellers'/merchants' Certificate of Registration or BIR Form No. 2303; and
- Include the same as part of the e-marketplace operator's minimum seller/merchant accreditation requirements.

Source:

BIR Revenue Regulations No. 16-2023