

ADVISORY ON TAXATION OF SOCIAL MEDIA INFLUENCERS

PAGE NOS.

**REVENUE MEMORANDUM CIRCULAR
NO. 97-2021**

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**Taxation of Any Income Received by Social
Media Influencers**

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BUREAU OF INTERNAL REVENUE
REVENUE MEMORANDUM CIRCULAR
NO. 97-2021

Taxation of Any Income Received by Social Media Influencers

Social Media Influencers

It includes all taxpayers, individuals or corporations, receiving income, in cash or in kind, from any social media sites¹ in exchange for services performed as bloggers, video bloggers, or as an influencer and from any other activities performed on such social media sites and platforms.

Liability for Income Tax

Social media influencers derive their income from the following sources:

- YouTube Partner Program
- Sponsored social and blog posts
- Display advertising
- Becoming a brand representative/ambassador
- Affiliate marketing
- Co-creating product lines
- Promoting own products
- Photo and video sales
- Digital courses, subscriptions, and e-books
- Podcasts and webinars

Further, gross income subject to income tax shall include:

- Income treated as royalties in another country
- For resident aliens, any income derived from Philippine-based contents

Income tax shall be based on the taxable income using the following rates:

| Type of Taxpayer | Income Tax Rate Applied |
|----------------------|---|
| Individual taxpayers | Schedular tax rates under Section 24(A)(2)(a) or 8% tax on gross sales/receipts under Section 24(A)(2)(c)* |
| Corporate taxpayers | Corporate income tax rate under Sections 27 and 28 |

*Option available only if gross sales or gross receipts and other non-operating income does not exceed VAT threshold of P3,000,000.00

¹ YouTube, Facebook, Instagram, Twitter, TikTok, Reddit, Snapchat, etc.

Allowable Deductions

Expenses may be claimed as deductions provided they are directly and exclusively related to the production or realization of the income and can be substantiated with sufficient evidence, such as BIR-registered receipts and invoices.

In lieu of itemized deductions, the taxpayer may elect Optional Standard Deduction but the taxpayer must signify in the return the intention to select OSD.

Liability for Business Tax

Social media influencers are also liable for business tax, which may either be percentage tax or VAT.

For self-employed individuals and mixed-income earners, the following shall apply:

| Type of Taxpayer | | Applicable Business Tax |
|---------------------------|---|---|
| Self-Employed Individuals | Amount of gross sales/ receipts and other non-operating income do not exceed VAT threshold of P3,000,000.00 | Percentage Tax under Section 116 or 8% tax on gross sales/receipts under Section 24(A)(2)(c) |
| | Amount of gross sales/ receipts and other non-operating income exceeds VAT threshold of P3,000,000.00 | 12% VAT |
| Mixed-Income Earners | Income earned from compensation | Not subject to business tax |
| | Income earned from business or practice of profession (Amount of gross sales/ receipts and other non-operating income do not exceed VAT threshold of P3,000,000.00) | Percentage Tax under Section 116 or 8% tax on gross sales/receipts under Section 24(A)(2)(c) |
| | Income earned from business or practice of profession (Amount of gross sales/ receipts and other non-operating income exceeds VAT threshold of P3,000,000.00) | 12% VAT |

Tax Compliance

Registration and Updates. Every person subject to internal revenue taxes are required to register with the appropriate RDO and, whenever applicable, update his registration information.

| Type of Taxpayer | Requirement |
|--------------------------------------|--|
| Unregistered Social Media Influencer | Secure TIN from the RDO having jurisdiction over the place where the head office is located or over the place of residence |
| Registered Social Media Influencer | Ensure that their Certificate of Registration reflect their existing line of business |

Keeping of Books of Accounts. Taxpayers are required to:

- Keep books of accounts duly registered with the BIR
- If gross annual sales, earnings, receipts, or output exceed P3,000,000.00, the books of accounts shall be audited and examined yearly by a Certified Public Accountant and the income tax returns shall be accompanied with an Account Information Form

Filing of Tax Returns and Payment of Taxes. Social media influencers should refer to their Certificate of Registration for the tax returns that must be filed and the deadline for payment of taxes.

Obligation to Withhold. If applicable, social media influencers are required to withhold creditable/expanded withholding tax, final taxes, or other withholding taxes and remit the same to the BIR as well as issue the necessary Certificates of Tax Withheld.

Liabilities for Failure to File Returns and Pay Taxes. In addition to the payment of taxes and corresponding penalties, criminal liability under Sections 254 and 255, in relation to Section 248(B), shall attach to the social media influencer:

| 1997 NIRC, as amended | Liability |
|--|--|
| Section 254. Attempt to Evade or Defeat Tax. | Fine of not less than P500,000.00 but not more than P1,000,000 and imprisonment of not less than 6 years but not more than 10 years |

| 1997 NIRC, as amended | Liability |
|--|---|
| Section 255. Failure to File Return, Supply Correct and Accurate Information, Pay Tax Withhold and Remit Tax and Refund Excess Taxes Withheld on Compensation. | Fine of not less than P10,000.00 and imprisonment of not less than 1 year but not more than 10 years |

The BIR may verify the income of social media influencers from foreign tax authorities pursuant to the Exchange of Information provision in the relevant tax treaties.

Avoidance of Double Taxation

A social media influencer receiving income from a nonresident person residing in a country with which the Philippines has a tax treaty must inform the latter that he/she/it is a resident of the Philippines.

The social media influencer may secure a Tax Residency Certificate² ("TRC") from the International Tax Affairs Division ("ITAD") of the BIR³ and submit the same to the non-resident person to avail of treaty benefits. On the other hand, the social media influencer is allowed to claim foreign tax credits if treaty benefits were not availed of. If the social media influencer is denied of treaty benefits, an application for Mutual Agreement Procedure may be filed with the ITAD.

Income from YouTube. Considering that any payments from YouTube will be treated as royalty payments starting June 1, 2021⁴, social media influencers residing in the Philippines are advised to submit their tax information to Google to be eligible to claim treaty benefits under the tax treaty between the Philippines and the US.

Effect of Taxes Withheld in Foreign Countries

Income taxes paid or incurred to a foreign country may either be claimed as an item of deduction or as a tax credit pursuant to Section 34(C) (including the limitations). However, tax credits shall be allowed only if the taxpayer establishes the following:

- The total amount of income derived from sources without the Philippines
- Amount of income derived from each country, the tax paid or incurred to which is claimed as a credit; and
- All other information necessary for the verification and computation of such credits

² An official document issued by the BIR that certifies the tax residency of a certain taxpayer in the Philippines

³ A TRC may be obtained following the procedures in RMO NO. 43-2020

⁴ As announced by Google LLC, the owner of YouTube

It must be noted though, that an alien individual and a foreign corporation shall not be allowed the credits against the tax for the taxes of foreign countries.

Tax Administration

Concerned BIR offices are advised to conduct a full-blown tax investigation against social media influencers residing and/or registered within their jurisdictions.

Source:

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