



REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF INTERNAL REVENUE**  
Quezon City

March 1, 2010

**REVENUE MEMORANDUM CIRCULAR No. 18-2010**

**SUBJECT** : Clarification on the Coverage and Taxability of Amusement Places under Section 125(b) of the National Internal Revenue Code (Tax Code) of 1997, as Amended

**TO** : Internal Revenue Officials, Revenue Officers and Others Concerned

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Section 125 (b) of the Tax Code, as amended, provides that an 18% amusement tax be imposed on proprietors, lessees or operators of cabarets, night or day clubs.

Night and day clubs are drinking, dancing and entertainment venues which oftentimes also serve food and provide entertainment. Cabarets, on the other hand, are restaurants or clubs where liquor and food are served, with a stage provided for performances by musicians, dancers or comedians, including a venue for dancing by patrons/customers, similar to that of nightclubs. With the advent of modern interactive entertainment, along with recorded music (and/or music video) using a microphone and public address system, the proprietors/lessees or operators of these amusement places have pursued a new form of lounge and club entertainment. Most of these establishments provide facilities to allow patrons to sing with the expectation that sufficient revenue will be made selling food and drinks to the customers. The “terms” night and day clubs and cabarets have become passé. Amusement places which offer the same pleasurable diversion entertainment and function now include videoke bars, karaoke bars, karaoke televisions, karaoke boxes and music lounges.

As such, the proprietors, lessees or operators of the aforementioned establishments are deemed also subject to the 18% amusement tax under Section 125 (b) of the Tax Code of 1997, as amended, and not to the 12% VAT on gross receipts.

All concerned are hereby enjoined to be guided accordingly and to give this Circular as wide a publicity as possible.

(Original Signed)  
**JOEL L. TAN-TORRES**  
Commissioner of Internal Revenue