

Philippines

Tax Authorities Clarify Imposition of Withholding Tax on Gross Remittance of E-Marketplace Operators, Digital Financial Services Providers

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Report from Nikita Lingbawan, IBFD

The Bureau of Internal Revenue (BIR) has issued [Revenue Memorandum Circular \(RMC\) No. 8-2024](#) to clarify the provisions of Revenue Regulations (RR) No. 16-2023, which imposes a withholding tax on the gross remittance of e-marketplace operators and digital financial services providers to online sellers (see [Tax Authorities Impose Withholding Tax on Gross Remittances of E-Marketplace Operators and Digital Financial Services Providers to Online Sellers \(28 December 2023\)](#)).

The salient points of the circular are summarized below.

- RR No. 16-2023 took effect on 11 January 2024 (15 days from its publication on 27 December 2023);
- a transition period of 90 days from the issuance of the circular is available for e-marketplace operators and digital financial services providers to comply with relevant policies or requirements of other government agencies prior to the actual imposition of the prescribed withholding tax;
- sellers and merchants that are not registered with the BIR must comply with the following requirements within the same transition period:
 - register with the BIR and submit a copy of the registration to the e-marketplace operator prior to the use of the facility; and
 - submit a certification of income tax exemption or eligibility for a lower income tax rate to the e-marketplace operator if such exemption or lower income tax rate applies to the seller or merchant;
- after the transition period, e-marketplace operators and digital financial services providers must not allow unregistered businesses to sell goods and services on their platform or facility; and
- the annual gross remittance threshold of PHP 500,000 is the total amount of remittances received by the online seller or merchant from all e-marketplace operators and digital financial services providers. In case any of the e-marketplace operators and digital financial services providers have determined that the gross remittance to a seller has exceeded the threshold, the prescribed withholding tax will be deducted from the particular remittance when the threshold is breached and on subsequent remittances.

The circular also lists the obligations of e-marketplace operators and digital financial services providers and the penalty for non-compliance.

The circular was issued on 15 January 2024.

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