

Philippines

Tax Authorities Impose Withholding Tax on Gross Remittances of E-Marketplace Operators and Digital Financial Services Providers to Online Sellers

28 December 2023

Report from Nikita Lingbawan, IBFD

The Bureau of Internal Revenue (BIR) will impose a withholding tax on gross remittances made by electronic marketplace operators and digital financial services providers to online sellers or merchants for goods and services sold through the operators' or providers' online platform or facility.

The withholding tax is 1% of 1/2 of the gross remittances made by the e-marketplace operator or digital financial services provider to the seller or merchant. It will not apply in the following cases:

- the annual total gross remittances to an online seller or merchant for the past taxable year has not exceeded PHP 500,000;
- the cumulative gross remittances to an online seller or merchant in a taxable year has not yet exceeded PHP 500,000; or
- the seller or merchant is duly exempt from, or subject to, a lower income tax rate pursuant to any existing law or treaty, provided that the concerned seller or merchant is able to secure the necessary certification, clearance, ruling or any other document proving its entitlement to such exemption or lower tax rate. Such proof must be provided to the e-marketplace operator or digital financial services provider.

The withholding tax under the new subsection X of section 2.57.2 of Revenue Regulations (RR) No. 2-98, as amended, will be in addition to existing withholding tax obligations being imposed on e-marketplace operators and digital financial services providers, such as, *inter alia*, withholding taxes on payments to transportation contractors for the carriage of goods and merchandise.

E-marketplace operators and digital financial services providers will be constituted as withholding agents under section 2.57.3 of RR No. 2-98, as amended.

"Gross remittances" excludes sales returns and discounts, delivery or shipping fees billed separately, VAT and consideration for the use of the e-marketplace and/or digital financial services platform.

The definitions of "e-marketplace" and "digital financial services platforms" are provided in [RR No. 16-2023](#), which was published on 27 December 2023. RR No. 16-2023 will come into effect 15 days after the publication date. The BIR will issue further guidance to prescribe the implementation procedure and timeline.

Philippines - Tax Authorities Impose Withholding Tax on Gross Remittances of E-Marketplace Operators and Digital Financial Services Providers to Online Sellers (28 Dec. 2023), News IBFD.

Exported / Printed on 7 Mar. 2024 by hkermadi@deloitte.lu.