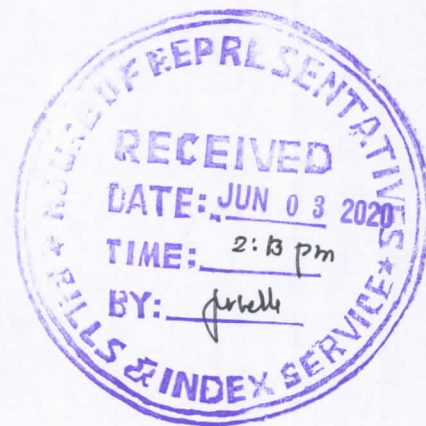




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
First Regular Session

House Bill No. 6944



Introduced by Representative Sharon S. Garin

EXPLANATORY NOTE

While the State recognizes the vital role of information and communication in the nation-building, the opportunity to regulate and raise revenue must always be given priority.

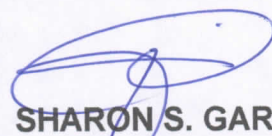
Digital taxation is not new to Asian countries. Digital taxation has been early introduced in Europe region while Singapore and Malaysia followed such fiscal policy.

With the end view of regulating, monitoring, and at the same time supplementing the government coffers, imposing digital taxation to all kinds of digital service providers should complement the depleting government funds caused by COVID-19 pandemic.

This measure seeks to raise revenue from digital service providers, whether local or foreign service providers. A digital tax of 6% of its gross sales to the consumers in the Philippines will be imposed to every digital service providers.

Every digital service providers are required to be registered with the Bureau of Internal Revenue (BIR) and only service providers with more than P3 Million gross sales are required to remit the 6% digital tax. Digital Service Returns will be filed by the registered digital service providers every quarter of the year for purposes of monitoring and revenue collection.

In view of the foregoing, immediate passage of this bill is earnestly sought for.


SHARON S. GARIN
Partylist – AAMBIS-OWA



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AN ACT
ESTABLISHING DIGITAL TAXATION IN THE PHILIPPINES

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. *Short Title.* – This Act shall be known as “***The Digital Taxation Act.***”

SEC. 2. *Declaration of Policy.* – The State, at all times, recognizes the vital role of communication and information in nation-building. Towards this end, the State may opt to source out much-needed revenues from the ever fast growing industry of information and technology to sustain the lifeblood of the government especially during this time of crisis.

SEC. 3. *Definition of Terms.* – The following terms shall be defined as follows:

- (1) ***Digital Services*** shall mean any service that is delivered or subscribed over the internet or other electronic network and which cannot be obtained without the use of information technology and where the delivery of the service is essentially automated. Digital services shall include, but not limited to, online licensing of software, updates, and add-ons website filters and firewalls; mobile applications and video games; provision of digital content like music, files, images, text and information; advertisement platform like provision of online

advertising space on intangible media platform; online platform like offering platform to trade products or services; search engines services; social networks; database and hosting like website hosting, online data warehousing, filesharing and cloud storage services; internet-based telecommunication; online training like provision of distance teaching, e-learning, online courses and webinars; online newspapers and journals subscription; and payment processing services.

(2) **Digital Service Provider (DSP)** shall mean any person or entity, whether local or foreign service provider, giving, providing or rendering digital service or services to a consumer based in the Philippines through operating an online platform for purposes of buying and selling goods or services or by making transactions for the provision of digital services on behalf of any person.

(3) **Consumer** shall mean any person who acquires taxable digital services in the Philippine from a local service provider or a foreign service provider. A person is a prim facie consumer of digital service by fulfilling any of the two of the following:

- a. Makes payment for digital services using credit or debit facility provided for by any financial institution or company in the Philippines.
- b. Acquires digital services using an internet protocol address registered in the Philippines or an international mobile phone country code assigned to the Philippines.
- c. Resides in the Philippines.

SEC. 4. Digital Tax. - Effective January 1, 2021, all digital service providers shall be charged and levied with six percent (6%) of its gross sales on its digital services rendered in the Philippines-based consumers:

SEC. 5. Registration and Filing of Returns. – If the value of the digital services provided for by the providers exceeds Three Million Pesos

(P3,000,000.00) for a year, such service provider shall be required to register to collect and remit to the Philippines' tax authority.

Once registered, affected service providers shall submit service tax returns once every three (3) months. Returns must be filed online by the service providers once they have registered in the Bureau of Internal Revenue (BIR) system. It shall compute its annual turnover by including the value of digital services it make to consumers in the Philippines and the value of its digital services made by foreign service providers through its platform to consumers in the Philippines.

SEC. 6. *Implementing Rules and Regulations.* – To carry out the provisions of this Act, the implementing rules and regulations shall be promulgated by Department of Finance (DOF), upon the recommendation of the BIR and in coordination with the Department of Information and Communication Technology (DICT) not later than ninety (90) days after the approval of this Act.

SEC. 7. *Separability Clause.* – Should any provision of this Act or any part thereof be declared invalid, the other provisions, so far as they are separable from the invalid ones, shall remain in force and effect.

SEC. 8 *Repealing Clause.* – All law, decrees, orders, and issuances, or portions thereof, which are inconsistent with the provisions of this Act, are hereby repealed, amended or modified accordingly.

SEC. 9. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspaper of general circulation.

Approved,