

REVENUE MEMORANDUM CIRCULAR NO. 047-2025

SUBJECT : *Clarifying the Provisions of Revenue Regulations No. 3-2025, Implementing Republic Act No. 12023 Entitled "An Act Amending Sections 105, 108, 109, 110, 113, 114, 115, 128, 236 and 288 and Adding New Sections 108-A and 108-B of the National Internal Revenue Code of 1997, as Amended," Imposing the Value-Added Tax on Digital Services*

TO : *All Internal Revenue Officials, Employees and Others Concerned*

This Revenue Memorandum Circular is issued to clarify the provisions of Revenue Regulations (RR) No. 3-2025, implementing the National Internal Revenue Code of 1997 (Tax Code), as amended by Republic Act (RA) No. 12023, and to address certain issues pertaining to the implementation of the Value-Added Tax (VAT) on Digital Services.

Q1: Non-Resident Digital Service Providers (NRDSPs) are required to register with the Bureau of Internal Revenue (BIR) pursuant to Section 5 of RR No. 3-2025. Are NRDSPs whose sales from the Philippines only constitute Business-to-Business (B2B) still required to register with the BIR for VAT purposes?

A1: Yes. All NRDSPs are required to register or update their registration with the BIR under Section 5 of RR No. 3-2025. This requirement applies regardless of the nature of their transactions, whether B2B, Business-to-Consumer (B2C), or both.

Q2: If required to register, are NRDSPs with purely B2B transactions still required to file tax returns with the BIR?

A2: Yes. The NRDSPs are still required to file tax returns with the BIR to report their B2B transactions. This will enable the BIR to collect information on the total digital services transactions in the Philippines by NRDSPs which are needed for accurate monitoring and analysis of the digital economy, ensuring compliance with tax regulations, and facilitating effective policy-making and revenue collection.

Q3: How will NRDSPs register with the BIR?

A3: The NRDSPs shall register with the BIR through the VAT on Digital Services (VDS) Portal once it is available.

Prior to the VDS Portal roll-out, the NRDSPs or their appointed resident third-party service providers shall register through the Online Registration and Update System (ORUS), which is available in the BIR official website (<https://www.bir.gov.ph/eServices>).

Q4: Until when shall NRDSPs register with the BIR?

A4: The NRDSPs shall register with the BIR within one hundred twenty (120) days from the effectivity of RR No. 3-2025, or on or before June 1, 2025.

Q5: What are the information required for the registration of NRDSPs?

A5: The following information shall be provided by the NRDSP during registration via ORUS:

1. Name of business entity, including trade name;
2. Name of the authorized representative, and Taxpayer Identification Number (TIN) in case of local authorized representative, responsible for tax administration, if any;
3. Registered foreign address; and
4. Contact information of the NRDSP (e.g., Contact number, email address).

Q6: What are the documentary requirements for the registration of NRDSPs?

A6: Any official registration document issued by an authorized government regulatory body (e.g., Securities and Exchange Commission, tax authority) in the country where NRDSP was incorporated or organized (e.g., Articles of Incorporation, Certificate of Tax Residency) that includes the name of the NRDSP shall be sufficient for the registration.

Q7: Do NRDSPs need to have a local representative in the Philippines to register with the BIR?

A7: No. NRDSPs do not need a local representative in the Philippines to register with the BIR. However, an NRDSP may appoint a resident third-party service provider (an individual or entity, such as a law firm or accounting firm) for purposes of registration, filing of tax return and payment of taxes, receiving notices, record keeping, and other reporting obligations.

Q8: In case of NRDSPs with local representative that opt to manually register with the BIR, where do they register?

A8: NRDSPs with local representative may manually register with BIR Revenue District Office No. 39-South Quezon City.

Q9: Will the appointment of a resident third-party service provider classify the NRDSP as a resident foreign corporation doing business in the Philippines?

A9: No. For VAT purposes, the appointment of a resident third-party service provider shall not classify the NRDSP as a resident foreign corporation doing business in the Philippines.

Q10: What document shall be issued to an NRDSP as proof of its registration with the BIR?

A10: A BIR Certificate of Registration (COR)/BIR Form No. 2303 containing the assigned TIN and other registration details shall be issued to the NRDSP, which shall be used in the filing of VAT returns, and remittance of VAT, if any, to the BIR.

Q11: What tax type will the NRDSPs be registered and liable for?

A11: NRDSPs will be registered and liable for payment of the 12% VAT on their gross sales from the supply and delivery of digital services consumed or used in the Philippines. During registration, the NRDSP shall select VAT as its tax type.

Q12: Will there be any penalty imposed in case an NRDSP fails to register with the BIR for VAT?

A12: Yes. An NRDSP which fails to register for VAT shall be imposed with applicable penalties under Section 13 of RR No. 3-2025, and suspension of its business operations under Section 12 of the same Regulations, if warranted.

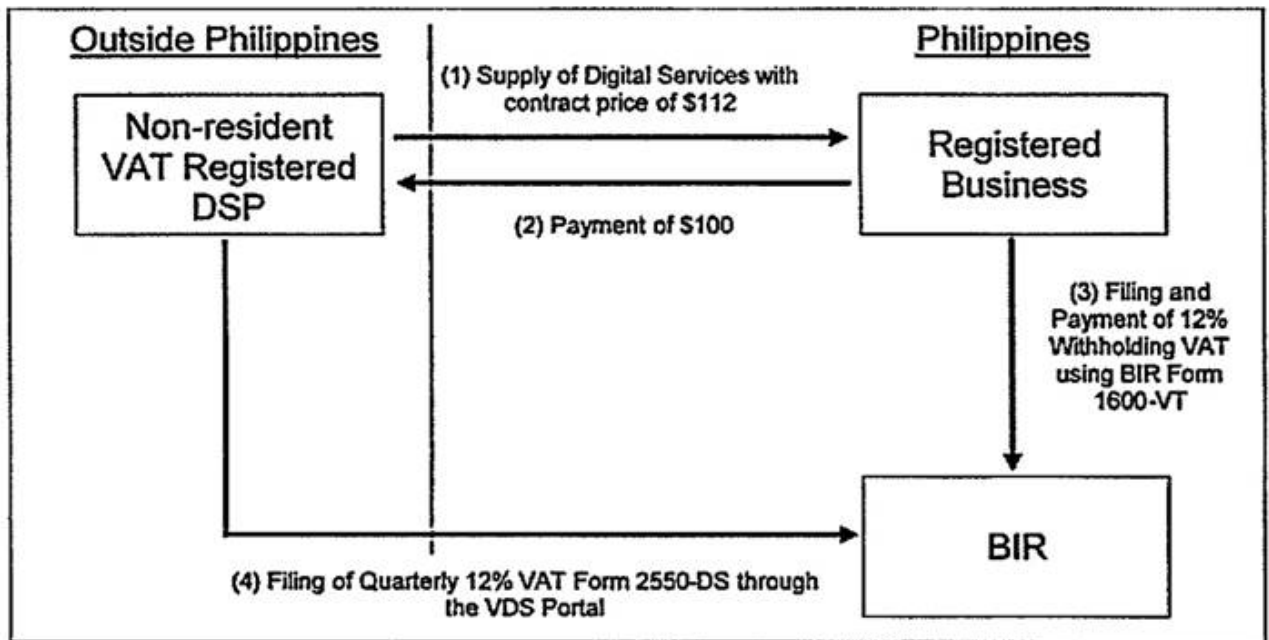
Q13: What is the VAT treatment for cross-border B2B transactions?

A13: In B2B transactions where the NRDSPs provide digital services to Philippine consumer/buyer engaged in business, including the Government or any of its political subdivisions, instrumentalities or agencies, including GOCCs, the Philippine consumer/buyer will account for the VAT using the **reverse charge mechanism**.

As such, the Philippine consumer/buyer shall be liable for: (i) electronically filing the required remittance return; and (ii) withholding and remitting the twelve percent (12%) VAT due on its purchase, as shown below:

Illustration: B2B Transaction

Illustration: B2B transaction

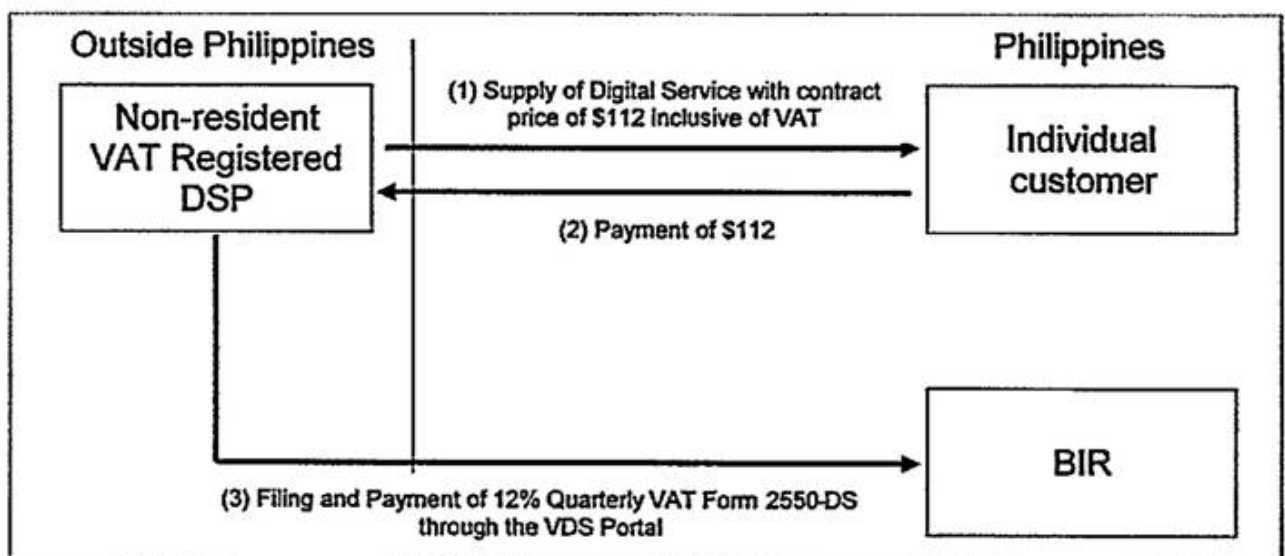


Q14: What is the VAT treatment for cross-border B2C transactions?

A14: In a B2C transaction where the consumer/buyer is not engaged in business, the NRDSP shall be directly liable for: (i) electronically filing the VAT return; and (ii) paying the VAT due thereon through the simplified pay-only regime in the VDS Portal based on its gross sales relating to the sale of Digital Services consumed/used in the Philippines.

Illustration: B2C Transaction

Illustration: B2C transaction



Q15: What is the VAT treatment for digital services that go through an online marketplace or e-marketplace?

A15: For a DSP acting as an online marketplace or e-marketplace on the transactions of resident and non-resident sellers or suppliers that go through its platform, the following mechanisms shall be observed, provided that it controls the key aspects of the supply and performs

any of the following:

- it sets directly or indirectly any of the terms and conditions under which the supply of digital services is made; or
- it is involved in the ordering or delivery of digital services whether directly or indirectly.

Illustration 1: DSP Acting as Non-Resident Online Marketplace or E-Marketplace for a B2B Transaction

Illustration 1: DSP acting as Non-resident online marketplace or e-marketplace for a B2B transaction

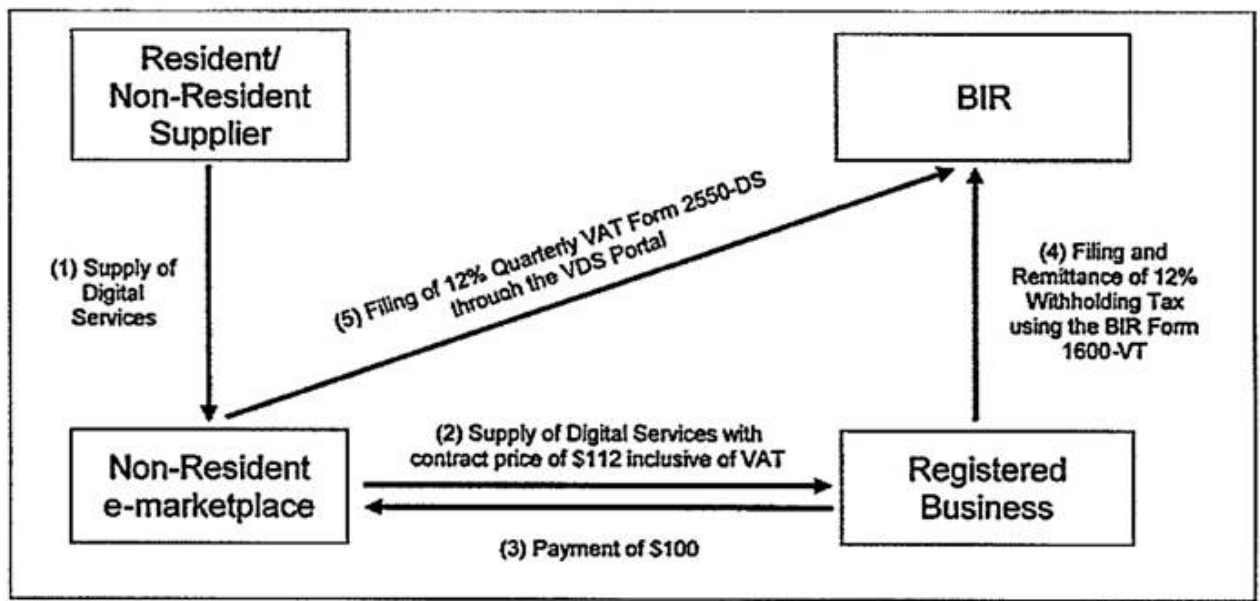


Illustration 2: DSP Acting as Non-Resident Online Marketplace or E-Marketplace for a B2C Transaction

Illustration 2: DSP acting as Non-resident online marketplace or e-marketplace for a B2C transaction

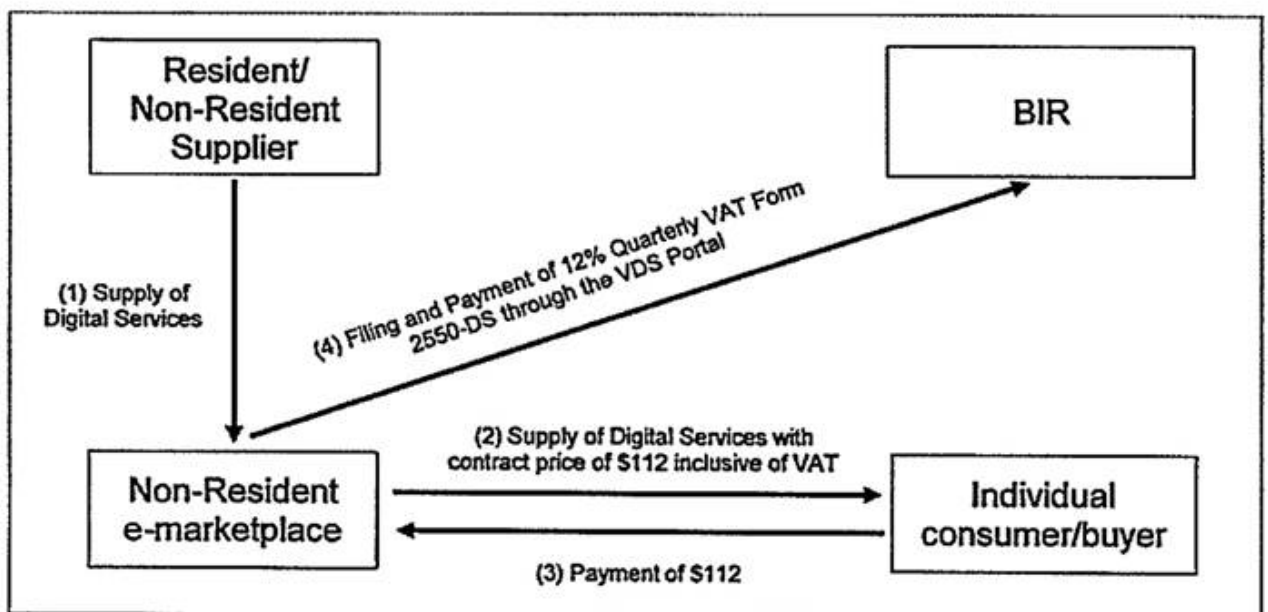
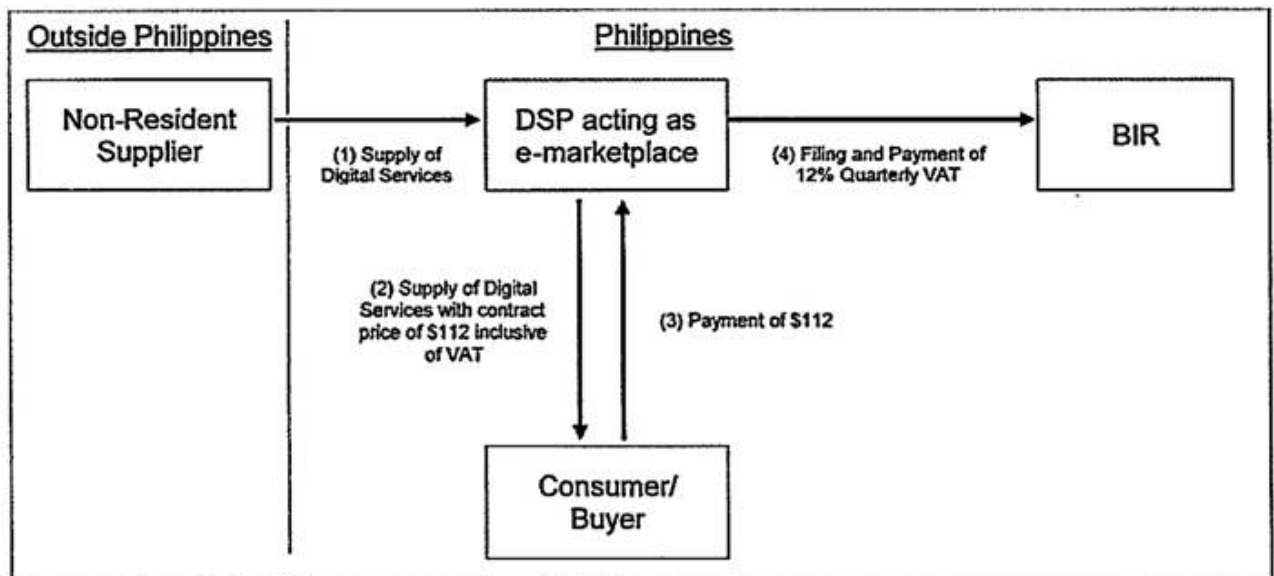


Illustration 3: DSP Acting as Resident Online Marketplace or E-Marketplace for B2B and B2C Transactions

Illustration 3: DSP acting as Resident online marketplace or e-marketplace for B2B and B2C transactions



Q16: What is the invoicing requirement for NRDSPs?

A16: There is no prescribed form of an invoice for NRDSPs as long as the mandatory information under the law is present, which are as follows:

- (1) Date of the transaction;
- (2) Transaction Reference Number;
- (3) Identification of the consumer (including the TIN for B2B);
- (4) Brief description of the transaction; and
- (5) The total amount with the indication that such amount includes the VAT.

Sample Illustration of an Invoice

Sample illustration of an Invoice:

Non-Resident DSP Corporation VAT Reg TIN 123-456-789-00000														
INVOICE														
Date:	xx-xx-202x	1 Date of Transaction												
	Invoice No. ABC12345	2 Transaction Reference Number												
SOLD TO:	ABC CORPORATION													
TIN:	987-654-321-00000	3 Identification of the Consumer												
ADDRESS:	QUEZON CITY, PHILIPPINES													
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Description</th> <th style="width: 40%;">Amount</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Online Advertising</td> <td style="text-align: right;">\$ 100.00</td> </tr> <tr> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> </tr> <tr> <td style="text-align: right;">VAT:</td> <td style="text-align: right;">12.00</td> </tr> <tr> <td style="text-align: right;">Total Amount Due:</td> <td style="text-align: right;">\$ 112.00</td> </tr> </tbody> </table>		Description	Amount	Online Advertising	\$ 100.00					VAT:	12.00	Total Amount Due:	\$ 112.00	4 Brief Description of the transaction
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Online Advertising	\$ 100.00													
VAT:	12.00													
Total Amount Due:	\$ 112.00													
		5 Total Amount												

For B2B supply of digital services made by a VAT-registered NRDSP, the obligation for assessing and remitting the 12% VAT shall be the responsibility of the Philippine business consumer/buyer. The VAT amount must be clearly stated on the invoice. However, if the NRDSP is unable to include the VAT amount on the invoice, it must include a footnote/annotation on the invoice indicating that the Philippine business consumer/buyer is responsible for accounting and remitting the 12% VAT due on the transaction to the BIR, as shown in the illustration below:

Non-Resident DSP Corporation
VAT Reg TIN 123-456-789-00000

INVOICE

Date: xx-xx-202x ① Date of Transaction

Invoice No. ABC12345 ② Transaction Reference Number

SOLD TO: XYZ LOCAL CORPORATION

TIN: 987-654-321-00000 ③ Identification of the Consumer

ADDRESS: QUEZON CITY, PHILIPPINES

Description	Amount	
EDITING SOFTWARE	\$ 100.00	④ Brief Description of the transaction
Total Amount Due:	\$ 100.00	⑤ Total Amount

NOTE: 12% VAT on the invoice amount is payable and shall be remitted by the business consumer/buyer to the BIR ⑥ Footnote/Annotation that the Philippine business consumer/ buyer shall be responsible to remit the 12% VAT

Q17: When will the NRDSPs be subject to VAT under RA No. 12023?

A17: The NRDSP shall be immediately subject to VAT after one hundred twenty (120) days from the effectivity of the RR No. 3-2025, or starting **June 2, 2025**.

Q18: What BIR Form shall the NRDSP and its B2B consumer/buyer use in filing and payment/remittance of the VAT?

A18: For B2B and B2C transactions, the NRDSP shall use BIR Form No. 2550-DS in filing the VAT return (for B2B and B2C transactions) and/or payment/remittance of the VAT due thereon (for B2C transactions), which shall be available and generated in the VDS Portal.

In B2B transactions, the business consumer/buyer, whether VAT or non-VAT registered, shall use BIR Form No. 1600-VT in filing and remittance of the withheld VAT from the NRDSP.

Q19: Can NRDSPs claim input tax?

A19: No. As provided under Section 7 (B) of RR No. 3-2025, non-resident VAT-registered DSPs shall not be allowed to claim creditable input tax.

Q20: If after the payment of VAT, the NRDSP later discovered that its Philippine consumer/buyer is engaged in business and the corresponding withholding VAT was already paid to the BIR by the latter, can the NRDSP apply for refund of erroneously paid VAT?

A20: No. The NRDSP cannot file for refund of the erroneously paid VAT. However, the NRDSP may amend the previously filed BIR Form No. 2550-DS to reflect the overpayment which may be carried-over to the succeeding quarter/s.

Q21: When an NRDSP generates sales through an e-marketplace but the payment

for the digital service is made directly to the account of the NRDSP, is the e-marketplace liable for the VAT?

A21: No. The e-marketplace is not liable to pay the VAT because the payment for the digital service is made directly to the account of the NRDSP and thus, not within the control of the e-marketplace. However, the service fee charged by the marketplace to the consumer/buyer located in the Philippines, if any, shall be subject to VAT.

Q22: When digital services are utilized for the purchase of physical goods through an online marketplace and a separate service fee is charged by the online marketplace for the use or availment of the digital service, should VAT be imposed on the separate fee for the digital service?

A22: Yes. Although RR No. 3-2025 excludes the sale, supply or delivery of physical goods — since these are already subject to customs, duties, taxes, and other charges by the Bureau of Customs — the separate service fee for using or availing of the online platform/marketplace, which is classified as digital service under RA No. 12023, remains subject to VAT when said service fee has been charged to a consumer/buyer located in the Philippines.

Q23: Does RA No. 12023 apply to services other than digital services?

A23: Only digital services as defined under RA No. 12023 shall be subject to VAT under the said law. Under RA No. 12023, digital services refer to any service that is supplied over the internet or other electronic network with the use of information technology and where the supply of the service is essentially automated. It shall include, but not limited to:

- (1) Online search engine;
- (2) Online marketplace or e-marketplace;
- (3) Cloud service;
- (4) Online media and advertising;
- (5) Online platform; or
- (6) Digital goods.

Q24: Company ABC is a resident VAT-registered company which operates a teleconsultation platform where appointments are booked through a website, applications, or e-marketplace. Virtual meetings via video or call conferences allow doctors and patients to engage in real-time discussions, providing and receiving essential medical assessments, diagnoses, treatments, and ongoing support. Are the services being rendered by Company ABC subject to VAT?

A24: Yes. This falls within the definition of Digital Services under Section 3 (A) under RR No. 3-2025 particularly under "online consultations through a digital platform (*i.e.*, website, applications, e-marketplace)" since the medical consultation cannot be booked, completed and/or delivered without the use of information technology.

As an online platform, it shall be subject to VAT provided that the conditions under Q15 and A15 above are complied with.

Q25: Is there a need to secure a Certificate of Tax Exemption from the BIR to support the claim for VAT-Exemption on the sale of online subscription-based services to educational institutions accredited by the Department of Education (DepEd), Commission on Higher Education (CHED), and Technical Education and Skills Development Authority (TESDA)?

A25: No. For the sale of online subscription-based services to educational institutions, it shall only present to the DSP the accreditation/recognition from DepEd, CHED and TESDA, as the case may be, in order to avail of the VAT exemption.

Q26: Are digital services rendered by NRDSPs to Registered Business Enterprises (RBEs) with Certification issued by Investment Promotion Agencies (IPAs) or to the export oriented enterprises (EOEs) covered under Sections 106 and 108 of the Tax Code, where such digital services provided are directly attributable to the registered activity or project of

the RBEs or to the export activities of the EOE under RA No. 12066, subject to 12% VAT under RA No. 12023?

A26: No. If the digital services rendered by NRDSPs are directly attributable (1) to the registered business activity/project of the IPA-registered entity, classified as registered export enterprise, high-value domestic market enterprise or domestic market enterprise under transitory provision of RA No. 12066 or (2) to the export activity of the EOE, they are eligible for VAT exemption.

Q27: How can an NRDSP verify whether or not a buyer is engaged in business for VAT purposes under RA No. 12023 and RR No. 3-2025?

A27: An NRDSP can verify if a buyer is engaged in business by obtaining the buyer's TIN and by providing a questionnaire or a tick box in their websites/platforms for customers to confirm that they are engaged in business in the Philippines. The NRDSP may also request other business registration documents, such as the BIR COR, if the NRDSP's system is capable of obtaining/receiving this document. This helps ensure that the correct VAT treatment is applied, reducing the risk of non-compliance.

Q28: How can VAT-registered Philippine business customers substantiate their input taxes for digital services purchased from NRDSPs?

A28: VAT-registered Philippine business customers/buyers shall use the filed withholding VAT return/BIR Form No. 1600-VT as proof to support their claim for input VAT on purchases of digital services from NRDSPs in accordance with Section 7 (C) of RR No. 3-2025.

Q29: The reckoning point of the VAT liability of the NRDSPs will start on June 2, 2025. There are existing contracts covering January 1 to December 31, 2025. The Philippine buyer already paid in advance the total price for the full year contract, that is, from January to December, 2025, without the 12% VAT. Would the NRDSP still be liable for the payment of VAT for the period June 2 to December 31, 2025?

A29: The VAT liability for NRDSPs begins on June 2, 2025. This means that any digital services provided from June 2, 2025 onwards are subject to the 12% VAT. If the Philippine buyer already paid for the full-year contract in advance without including the 12% VAT, the NRDSP is still liable for the VAT on the portion of services provided from June 2 onwards. The liability to pay and remit the VAT in this scenario shall lie with the NRDSP since the buyer no longer has control over the payment.

Q30: In cases where the contracting party of the NRDSP is outside the Philippines (e.g., in the US) and the US entity shares costs with different markets (including subsidiaries in the Philippines), is the shared cost charged against the Philippine subsidiary subject to VAT under RR No. 3-2025?

A30: RA No. 12023 imposes a 12% VAT on digital services consumed in the Philippines, whether provided by resident or non-resident digital service providers. The law clarifies that VAT is applicable to digital services, regardless of the provider's physical presence, as long as it is consumed in the Philippines. Therefore, if the shared cost is for digital services consumed by the Philippine subsidiary, it would be subject to VAT. In this case, the Philippine subsidiary shall be responsible in withholding and remitting the VAT due thereon to the BIR as a B2B transaction.

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

This Circular takes effect immediately.

(SGD.) ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue