



Bringing In Revenues
for Nation-Building

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
National Office Building
Quezon City



**BAGONG
PILIPINAS**

JUN 02 2026

REVENUE MEMORANDUM CIRCULAR NO. 059-2026

SUBJECT: Further Clarifying the Provisions of Revenue Regulations No. 3-2025 to Implement 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 (RMC) is issued to further clarify Revenue Regulations (RR) No. 3-2025 and address certain issues pertaining to the implementation of the Value-Added Tax (VAT) on Digital Service.

Q1: If a nonresident digital service provider (NRDSP) supplies or delivers digital services to Philippine consumers and such digital services qualify for VAT-exemption, is the NRDSP still required to register with the Bureau of Internal Revenue (BIR) in accordance with RR No. 3-2025?

A1: Yes. If the NRDSP supplies digital services to Philippine consumers and such services are entitled to VAT exemption, it shall be required to register with the BIR and file VAT returns. If the sales of the NRDSP are VAT-exempt, these shall be indicated as VAT-exempt sales in the VAT Returns.

Q2: In a cross-border cost-sharing arrangements involving (i) foreign digital service provider, (ii) a foreign affiliate contracts for and/or pays for such digital services under the cost-sharing arrangement, and (iii) a Philippine subsidiary that ultimately consumes the digital service, such transaction is subject to VAT under RR No. 3-2025 even if the payment is through a cost-sharing agreement. The Philippine subsidiary will be responsible for withholding and remitting the VAT as a Business-to-Business (B2B) transaction.

- a. Who between the foreign digital service provider or the foreign affiliate shall register as NRDSP for purposes of RR No. 3-2025?
- b. How will the parties comply with the filing and payment of VAT, as well as the invoicing thereof?

A2: a. Generally, the foreign supplier of the digital service is considered as the NRDSP. However, since the NRDSP is directly contracting with the foreign affiliate and has no direct transaction with the Philippine subsidiary, it shall not be required to register with BIR, unless it is also supplying digital service transactions subject to VAT to other Philippine consumers.

BIR National Office Bldg., Senator Miriam Defensor-Santiago Avenue, Diliman, Quezon City
Website: www.bir.gov.ph
Trunkline: 8981-7000 ; 8929-7676

00000248
BUREAU OF INTERNAL REVENUE
RECORDS MANAGEMENT DIVISION
RECEIVED
JUN 02 2026
BY: ADMIN UNIT - 1 TIME: 8:24am

In this case, since the foreign affiliate is the one directly transacting with the foreign supplier, on one hand, and Philippine subsidiary, on the other, it shall be deemed as the NRDSP and shall be required to register with the BIR if it has control on the key aspects of the supply of digital services to its Philippine subsidiary, as follows:

- i. sets, directly or indirectly, any of the terms and conditions under which the supply of digital services is made (*i.e.* price, payment terms, delivery conditions); or
- ii. is involved, directly or indirectly, in the ordering or delivery of digital services, that is, having influence over the conditions of delivery, transmission of approval to supplier, and provision of order fulfillment services.

b. In any case, since this is a B2B transaction, the Philippine subsidiary, under the reverse charge mechanism, shall be liable for filing the required VAT return and withholding and remitting the twelve percent (12%) VAT due on the cost of the digital service charged to it, as may be evidenced by the billing or invoice issued by the foreign affiliate.

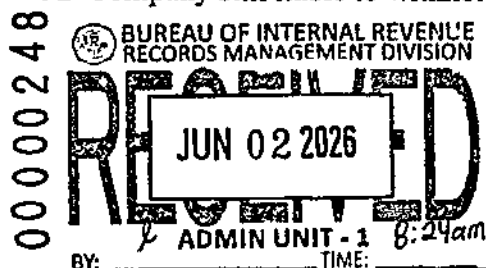
Q3: RGA Corporation, a Philippine VAT-registered property management company, offers end-to-end short-term rental solutions for property owners (condominium owners, resort operators and small hotels) across the Philippines. It manages the entire rental process including guest communication, housekeeping and maintenance, and net income sharing among the property owners. RGA Corporation subscribes to various NRDSP online booking platforms to facilitate reservations. These NRDSP platforms charge RGA Corporation a fixed listing or subscription fee for access and visibility, and additional commission fee/service fee for each successful booking.

- a. Is RGA Corporation liable to withhold 12% VAT on the subscription fees and commission fees/service fees paid to the NRDSP online booking platforms and remit the VAT to the BIR?
- b. Will the VAT liability of the NRDSP online booking platforms be attributed to the full amount of sales received?

A3: a. **Yes.** The subscription fees and commission fees/service fees constitute payment for a digital service supplied by a NRDSP, thus, RGA Corporation, being an entity engaged in business in the Philippines, is liable to withhold the VAT and remit the same to the BIR under the reverse charge mechanism for a B2B transaction. RGA Corporation shall remit the VAT using the BIR Form 1600-VT within ten (10) days following the end of the month the withholding was made.

b. **No.** The NRDSP online booking platforms are only liable for the 12% VAT on digital services attributable to the subscription fees and commission fees/service fees earned from listings/subscription and bookings and not on the full amount received since it is the portion that qualifies as digital service as defined in RR No. 3-2025. The service fees were earned through the use of the internet for facilitating the bookings which is essentially automated.

Q4: In December 2024, RBB Company paid for a one-year cloud subscription for the period covering December 2024 to November 2025. The invoice issued for the subscription did not include the twelve percent (12%) VAT. Is RBB Company still liable to withhold and



remit the VAT pursuant to RR No. 3-2025 despite the non-indication of VAT in the issued invoice?

A4: **Yes.** In a B2B transaction, the buyer of digital services is liable to withhold the VAT and remit the same to the BIR under the reverse charge mechanism. Since the VAT on Digital Service Provider (DSP) became effective only on June 2, 2025, RBB Company must compute and remit the twelve percent (12%) VAT applicable to the remaining months of the subscription period covering June to November 2025, in accordance with Section 6(B) of RR No. 03-2025.

Q5: MRA SG, a corporation organized and existing under the laws of Singapore, billed and issued an invoice to Multi-Media Agency, Inc., a Philippine-based corporation, for the online advertisements. Subsequently, Multi-Media Agency, Inc. charged and issued an invoice, without any mark-up, to a Malaysia-based client that is not registered in the Philippines. The target audience of the online advertisements is in Malaysia.

- a. Whether the digital services provided by MRA SG to Multi-Media Agency, Inc. are subject to 12% VAT?
- b. Who is liable to file and pay for the 12% VAT?
- c. Is the service fee earned by a Philippine-based multi-media company, for planning, buying, and managing advertising campaigns for the Malaysia-based client subject to the 12% VAT under RR No. 3-2025?

A5: a. **Yes.** The digital service is subject to 12% VAT in the Philippines. Under Republic Act (RA) No. 12023 and RR No. 3-2025, the 12% VAT applies to digital services supplied to a consumer located in the Philippines, regardless of whether the service provider is a resident or nonresident. In this case, since the user, procurer and payor of the online advertisement is a Philippine-based entity, the same is subject to VAT regardless of the location of the audience.

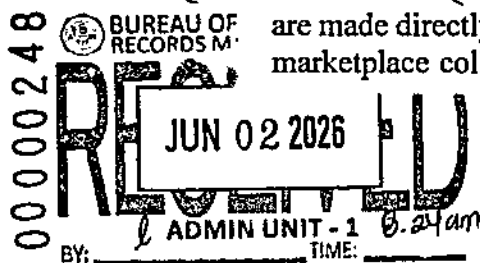
b. Under the reverse charge mechanism, Multi-Media Agency, Inc., being an entity engaged in business in the Philippines, is required to withhold and remit the 12% VAT to the BIR as a B2B transaction.

c. **Yes.** It is subject to VAT at zero rate since its services are consumed by clients located abroad, provided that the same are paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP).

Q6: Is a nonresident corporation engaged solely in facilitating real-time fund transfers between parties to a digital transaction and not operating as an e-commerce platform, subject to the 12% VAT on the service fee for the digital services of facilitating real-time fund transfers under RA No. 12023 and its implementing rules under RR No. 3-2025?

A6: **Yes.** The nonresident corporation is subject to the 12% VAT imposed on the digital service if it collects service fees to a client located in the Philippines for the use of its services. The 12% VAT shall be based on the amount of service fee collected.

Q7: In relation to Question 21 of RMC No. 47-2025 in which the payments for digital services are made directly to the NRDSP rather than the e-marketplace, in a scenario where the e-marketplace collects the VAT payments in advance on behalf of its online sellers on a



pre-collected or advance basis based on stock availability, is the e-marketplace considered a "digital service provider" or "e-marketplace" for VAT compliance purposes under RA No. 12023 and RR No. 3-2025? Is it required to file BIR Form 2550-DS and remit the 12% VAT on all business-to-consumer (B2C) transactions facilitated through its digital interface, despite not receiving the actual payments directly?

A7: Yes. The e-marketplace may still be considered a digital service provider or e-marketplace for VAT compliance purposes in the Philippines under RA No. 12023 and RR No. 3-2025, even if it does not directly receive payments for the digital services sold through its platform since it collects the VAT payments in advance. In such case, the e-marketplace that collects VAT payments in advance shall be liable to file BIR Form 2550-DS and remit the 12% VAT on the covered B2C transactions.

Q8: ABC Corporation, a NRDSP based in Singapore, is delivering digital services to consumers in the Philippines. It was issued a Certificate of Entitlement to Treaty Benefits (COE) pursuant to the Double Taxation Agreement (DTA) between the Philippines and Singapore. Is the digital service supplied by ABC Corporation subject to VAT?

A8: Yes. ABC Corporation is subject to VAT on Digital Service. Tax benefits, either preferential tax rate or tax exemption, under a tax treaty cover only Income Tax. However, the digital service may be VAT zero-rated or VAT-Exempt not under the DTA but pursuant to Sections 108, 109, and 295 of the National Internal Revenue Code of 1997, as amended.

All internal revenue officers, employees and others concerned are hereby enjoined to strictly implement the provision of this Circular.

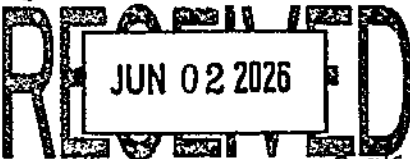
This Circular takes effect immediately.



Charlito Martin R. Mendoza
CHARLITO MARTIN R. MENDOZA
Commissioner of Internal Revenue

00000248

BUREAU OF INTERNAL REVENUE
RECORDS MANAGEMENT DIVISION



BY: *L* ADMIN UNIT - 1 *g.249m*
TIME:

K-1-RBB/RGA