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What you need to know about the new VAT on digital services law (Republic Act 12023)



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Digital Services Covered

Any service that is supplied over the internet and where the supply of the service is essentially automated, such as:



Online search engines



Online media and advertising



Online marketplaces or e-marketplaces



Online platforms



Cloud Services



Digital goods



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VAT obligations of a Non-resident Digital Service Provider (DSP) and its customers

Non-resident DSP	Customer	
	VAT-registered	Not VAT-registered
VAT-registered	Customer will withhold VAT	Non-resident DSP will assess, collect and remit VAT
Not VAT-registered	Customer will withhold VAT	Customer will withhold VAT
Online marketplace / e-marketplace	Non-resident DSP will remit VAT on the transactions of non-resident sellers that go through its platform under certain conditions	



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VAT Registration

Non-resident DSPs are required to register for VAT with the Bureau of Internal Revenue (BIR) if their gross sales exceed Php3M. The BIR will establish a Simplified Automated Registration System for this purpose.



Penalty

If a DSP fails to register for VAT, the BIR Commissioner can block the digital services of a DSP with the help of the Department of Information and Communications Technology (DICT) and the National Telecommunications Commission (NTC).



Effectivity

Non-resident DSPs will be immediately subject to VAT after 120 days from the effectivity of the Implementing Rules and Regulations (IRR) which should be issued within 90 days from the law's effectivity.