

Tax Guidelines for E-Commerce Transactions in the Philippines

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BIR Revenue Memorandum Circular 55-2013

- Reiterating Taxpayers' Obligations in Relation to Online Business Transactions
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Kinds of E-Commerce Transactions

- Business to Consumer (“B2C”) which involves online stores selling goods and services to final consumers
- Consumer to Consumer (“C2C”)
- Business to Business (“B2B”) which encompasses job recruitment, online advertising, credit, sales, market research, technical support, procurement and different types of training

E-Commerce Business Tax Registration

- (1) Register the business at the Revenue District Office (RDO) having jurisdiction over the principal place of business/head office (or residence in case of individuals),
 - by accomplishing BIR Form 1901 (for individuals) or 1903 (for corporations or partnerships), and
 - pay the registration fee to any Authorized Agent Bank (AAB) located within the RDO.
 - A BIR Certificate of Registration shall be issued by the RDO, reflecting therein the tax types required of the concerned taxpayer for filing and payment, which shall be displayed conspicuously in the business establishment;

E-Commerce Business Tax Registration

- (2) Secure the required Authority to Print (ATP) invoices/receipts and register books of accounts for use in business, which may either be:
 - a) Manual books of accounts, booklets of invoices/receipts, accounting records or loose-leaf of such;
 - b) Computerized Accounting System (CAS) and/or its components including e-Invoicing System under Revenue Memorandum Order (RMO) No. 21-2000 as amended by RMO No. 29-02.

E-Commerce Business Tax Registration

- (3) Issue registered invoice or receipt, either manually or electronically, for every sale, barter, exchange, or lease of goods and properties, as well as for every sale, barter, or exchange of service.
- Said invoice or receipt shall conform to the information requirements prescribed under existing revenue issuances, and shall be prepared at least in duplicate,
 - the original to be given to the buyer and
 - the duplicate to be retained by the seller as part of the latter's accounting records;

E-Commerce Business Tax Registration

- (4) Withhold required creditable / expanded withholding tax, final tax, tax on compensation of employees, and other withholding taxes.
- Remit the same to the Bureau at the time or times required, and
- Issue to the concerned payees the necessary Certificate of Tax Withheld.

E-Commerce Business Tax Registration

- (5) File applicable tax returns on or before the due dates,
- Pay correct internal revenue taxes, and
- Submit information returns and other tax compliance reports such as the
 - Summary List of Sales/Purchases (SLS/P),
 - Annual Alpha List of Payees, etc., at the time or times required by existing rules and regulations;

E-Commerce Business Tax Registration

- (6) Keep books of accounts and other business/accounting records within the time prescribed by law,
- Shall be made available anytime for inspection and verification by duly authorized Revenue Officer/s for the purpose of ascertaining compliance with tax rules and regulations.

Neutral Tax Treatment

- The existing tax laws and revenue issuances on the tax treatment of purchases (local or imported) and sale (local or international) of goods (tangible or intangible) or services shall be equally applied with no distinction on whether or not the marketing channel is the internet / digital media or the typical and customary physical medium.

Types of Online Business Transactions

(and taxes that shall apply)

Online Shopping / Online Retailing

Online Shopping / Online Retailing

- Consumers directly buy goods or services from a seller over the internet without an intermediary service.
- An online shop, e-shop, e-store, internet shop, web shop, web store, online store, or virtual store evokes the physical analogy of buying products or services at a bricks-and-mortar-retailer or shopping center.

Online Merchant / Retailer

- If buyer's payment is thru credit card companies:
The Online Merchant/ Retailer is obliged to
 - (a) issue electronically the BIR registered Invoice/OR for the full amount of the sale to the buyer;
 - (b) issue acknowledgment receipt to the credit card company for the amount received; and
 - (c) pay the commission of credit card company net of 10% Expanded Withholding Tax (EWT).

Buyer / Customer

- The Buyer/Customer is required to
 - (a) receive the Payment Confirmation, under the name of the merchant, for the purchase price charged by the credit card company; and
 - (b) receive Invoice/OR from the merchant upon delivery of the goods or performance of service.

Online Merchant / Retailer

- If buyer's payment is thru the banks: The Online Merchant/Retailer is obliged to
 - (a) issue Invoice/OR to the buyer for the payment of the goods/services; and
 - (b) issue acknowledgment receipt to the bank for the amount received.

Buyer / Customer

- The Buyer/Customer is required to
 - (a) receive validated copy of the deposit slips made in the name of the merchant; and
 - (b) receive Invoice/OR from the merchant upon delivery of the goods or performance of service.

Online Merchant / Retailer

- If buyer's payment is Cash on delivery or in the office of merchant (on sale of goods for pick-up by the customer): The Online Merchant/Retailer is required to
 - issue either electronically or manually the BIR registered Invoice/OR for the full amount of the sale to the buyer.

Buyer / Customer

- Cash on delivery or in the office of merchant (on sale of goods for pick-up by the customer): The Buyer / Customer is required to
 - receive either the electronic or manual registered Invoice / OR (official receipt) for the full amount of payment made to merchant / retailer.

Online Intermediary Service

Online Intermediary Service

- Third party that offers intermediation services between two trading parties.
- Acts as a conduit for goods or services offered by a supplier to a consumer, and receives commission therefor.
- Relationship between the intermediary and the merchant shall be that of a principal-agent relationship which shall be governed by their agreement including but not limited to the amount of commission, manner of transmitting the same, etc.

Online Intermediary Service

- If paid through credit card and banks
 - (a) issue the merchant's acknowledgement receipt (for goods) / OR (for services) for buyer to claim the goods/service
 - (in this case, the merchant acting as the principal shall assign a number of pads of such receipt to the intermediary/agent);
 - (b) ensure merchant delivers the goods to buyer with accompanying invoice or merchant performs the purchased service;
 - (c) issue OR to merchant for the full amount of the agreed commission, and reflecting therein the amount withheld by merchant.

Online Intermediary is Merchant / Retailer when....

- When consumers buy goods or services from an intermediary service provider who controls such collection of buyers' payments, and thereafter receives commission from the merchant / retailer.
- When the intermediary markets multiple products for its own account (considered retailer or merchandiser as to the said products).

Online Intermediary is Merchant / Retailer

- If paid thru credit card
 - (a) issue electronically the invoice/OR for the full amount of the sale to the buyer;
 - (b) issue acknowledgment receipt to the credit card company for the amount received;
 - (c) pay the commission of credit card company net of 10% EWT
 - (d) remit the balance to the merchant retailer net of intermediary's agreed mark-up/commission (include in the said remittance to merchant/retailer the 10% EWT to be remitted by merchant to the BIR)

Online Intermediary is Merchant / Retailer

- If paid thru banks
 - (a) issue the invoice/OR for the full amount of the sale to the buyer;
 - (b) issue acknowledgment receipt to the bank for the amount received;
 - (d) remit the amount to the merchant retailer net of intermediary's agreed mark-up/ commission
 - (include in the said remittance to merchant/retailer the 10% EWT to be remitted by merchant to the BIR)

Online Intermediary Sellers

- If paid by Cash on delivery or in the office of merchant (on sale of goods for pick-up by the customer): Online Intermediary Sellers are required to
 - secure the invoice / OR from the merchant before delivery of goods to buyer / performance of service and to
 - issue either electronically or manually the BIR registered Invoice/OR for the full amount of the sale to the buyer.
 - Issue OR for the amount of commission received, if agent

Online Advertisement / Classified Ads

Online Advertisement / Classified Ads

- Online advertising is a form of promotion that uses the internet to deliver marketing messages to attract customers.

Online Advertisement / Classified Ads

- The Advertising Entity is obliged to
 - issue either electronically or manually the BIR registered invoice / OR to the merchant or retailer for the full amount of advertising fee (amount received is net of withholding).
 - Consequently, it shall receive from the advertiser/merchant at the prescribed time a Certificate of Creditable Tax Withheld at Source (Form 2307) for the amount of tax withheld.

Online Advertisement / Classified Ads

- Merchant/Retailer as online advertiser is obliged to
 - (a) pay the online advertising entity for the advertising fee, net of 2% EWT;
 - (b) receive from said entity the BIR registered electronic copy or original copy of manually issued OR for the amount of advertising fee paid; and
 - (c) remit to BIR the EWT from the advertising entity.

For credit card, banks, cash payment

- Same process for online shopping / online retail shall apply.

Online Auction

Online Auction

- These are auctions conducted through the internet via an online service provider that specifically hosts such auctions.
- Through this service, the seller sells the product or service to the person who bids the highest price.

Auction Webstores

- If buyer's payment for voucher / coupon/ bid packs is: thru credit card companies: Auction Webstores are required to
 - (a) Issue electronically the BIR registered Invoice / OR (official receipt) to the buyer for the purchase price of bid packs (fee for right to participate in the bidding);
 - (b) Issue acknowledgment receipt to the credit card company for the amount received; and
 - (c) Pay the commission of credit card company net of 10% WT.

Auction Webstores

- If buyer's payment for voucher / coupon/ bid packs is: thru banks: Auction Webstores are likewise required to
 - (a) issue Invoice/OR to the depositor-buyer for the payment of the bid packs; and
 - (b) issue acknowledgment receipt to the bank for the amount received

Auction Webstores

- Sale of Auctioned Item to the highest bidder:
Auction Webstores are obliged to
 - issue, either electronically or manually, the BIR registered Invoice/OR for the winning bid price to the buyer/bid winner.
 - The above paragraph shall apply for payments received thru the modes discussed.

Payment Gateways

Payment Gateways

- Payment gateways/payment settlement entities refer to
 - Banks or other organizations and third party settlement organizations that has contractual obligation to make payment to participating payees in the settlement of the transactions.
 - These include, but are not limited to, credit card companies, banks, financial institution, and bill paying services.

Payment Gateways

- Credit Card Companies are obliged to
 - (a) Issue Payment Confirmation, in the name of the merchant-seller, for the purchase price charged to buyer;
 - (b) Remit to merchant-seller the price less EWT of $\frac{1}{2}$ of 1%;
 - (c) Remit to BIR the EWT of $\frac{1}{2}$ of 1%; and
 - (d) Receive agreed commission from merchant, net of EWT of 10%.

Freight Forwarders and Online Website Administrators

Payment Gateways

- Banks (over the counter) are obliged to
 - (a) issue validated bank deposit slips in the name of merchant to the depositor-buyer; and
 - (b) remit the amount to the merchant.

Freight Forwarders and Online Website Administrators

- Freight Forwarders and Online Website Administrators are likewise obliged to
 - Issue, either electronically or manually, the BIR registered OR for the service fees paid by the merchant or advertisers.

Penalties

- Any person engaged in internet commerce who fails to comply with applicable tax laws, rules and regulations shall be subject to
 - The imposition of penalties provided for under the existing laws, rules, and regulations, in addition to the imposition of penalties pursuant to the applicable Section/s under Chapters II and IV, Title X of the National Internal Revenue Code of 1997, as amended.

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