



MCC TAX AND OTHER RELEVANT UPDATES

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MORFE, CENETA & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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IMPORTANT UPDATES:

A. REVENUE REGULATIONS		
ISSUANCE	DATE ISSUED	SUBJECT
RR No. 3-2025	January 17, 2025	Topic: Tax Administration Prescribing policies and guidelines for the implementation of 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.
RR No. 4-2024	January 30, 2025	Topic: Tax Administration Further amending the "De Minimis" benefits provisions of RR No. 2-98 , as amended, increasing the Clothing Allowance pursuant to RA No. 11975, the Fiscal Year 2024 General Appropriations Act, and Employees Achievement Awards
B. REVENUE MEMORANDUM CIRCULAR		
RMC No. 5-2025	January 16, 2025	Topic: Tax Administration Amending certain provisions of RMC Nos. 11-2024, 12-2024, 13-2024 and 19-2024, provide clarifications/ transitory provisions and to align them with the provisions of R.A. No. 11976, (EOPT Act), its Implementing Rules and Regulations and other issuances
RMC No. 6-2025	January 16, 2025	Topic: Tax Administration, Incentives, VAT among others Extension of registration of permanently bound Loose-leaf Books of Accounts/Invoices and computerized Books of Accounts and other accounting records
C. SECURITIES AND EXCHANGE COMMISSION		
SEC MC No. 18, series of 2024	January 7, 2025	Guidelines on the disclosure of Fee-Related Information of External Auditors

DISCUSSION OF UPDATES

A. REVENUE REGULATIONS

REVENUE REGULATIONS 3-2025

The Bureau of Internal Revenue issued Revenue Regulations 3-2025, dated 16 January 2025, concerning implementing Republic Act No. 12023, or the VAT on Digital Service Law.

Q1: Who OR what are those covered by this new law?

A1: The law covers both natural and juridical persons who, in the course of trade or business, supply or deliver digital services in the Philippines.

On the other hand, it also covers **Business-to-Business (B2B)** transactions of DSPs with natural or juridical persons engaged in business in the Philippines **and business-to-consumers (B2C)** transactions made by DSPs to persons not engaged in business in the Philippines.

As regards compliance, the Regulation grouped DSPs according to whether they are an online marketplace or not. The law imposes additional compliance if the DSP is simultaneously an e-marketplace.

Q2: In relation to Q1, who are considered digital service providers?

A2: A Digital Service Provider ("DSP") refers to a supplier (seller) who supplies or sells digital services to buyers who use the same subject to VAT in the Philippines. A DSP may be considered a Resident or Nonresident depending on whether or not they have a physical presence in the Philippines.

Q3: What do you mean by "Digital Services"?

A3: Per Section 3 of Revenue Regulations 3-2025, the term "Digital Services" refers 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

Q4: What do you mean by "Digital Goods"

A4: x x x. . . digital goods refer to intangible goods that are delivered or transferred in digital form, including sounds, images, data, facts, or combinations thereof. These include, but are not limited to. digital content purchases (e.g. downloads of e-books, music, videos, software. applications, digital media, e-games, online courses): subscription-based supplies of content (e.g., news, music, streaming media, online gaming, online courses); digital art: supplies of software services and

maintenance (anti-virus software, digital data storage, etc.): licensing of content (e.g., access to specialized online content such as publications and journals, software, cloud-based systems, etc.); telecommunication and broadcasting services: and virtual assets.

Digital services also include cloud and IT infrastructure, such as data storage and web hosting; e-commerce platforms and payment processing; targeted digital marketing and analytics; communication tools and collaborative software: e-learning platforms and professional networking: data analytics and Artificial Intelligence for business insights; cybersecurity and regulatory compliance; masking and encryption services (e.g. virtual private network services); system maintenance and optimization for digital services; online consultations through a digital platform (i.e., website, applications, e-marketplace); and interactive media. like online gaming and augmented and/or Virtual Reality (AR/VR) experiences.

Q5: What is the effect if I am considered a Digital Service Provider (DSP)?

A5: A Digital Service Provider (DSP) is subject to 12% Value-Added Tax if the services were performed, rendered, supplied or delivered in the Philippines. Thus, a non-resident Digital Service provider providing digital services for consumers in the Philippines is subject to 12% VAT.

Q6: How do we determine if the digital service is consumed or used in the Philippines?

A6: The following information, among others, may be used to determine whether the digital service is consumed or used in the Philippines:

- (A) Payment information (c.g., credit card information, bank account details); or
- (B) Residence information of the buyer (e.g., home address, billing address): or
- (C) Access information (e.g., mobile country code of SIM card, Internet Protocol address): or
- (D) Any other information to establish the most reliable determination of the buyer's location (e.g., business agreement, predominant place of consumption, language of digital content supplied).

However, if such information is contradictory, the DSPs should obtain at least two pieces of non-conflicting evidence of where the service is consumed.

Q7: We are a nonresident Digital Service Provider (DSP), do we need to register with the Bureau of Internal Revenue?

A7: **Yes.** A non-resident Digital Service Provider is required to register to comply with the requirements of filing and paying the Value-Added Tax.

Q8: How can we register as a non-resident Digital Service Provider to be able to comply with the imposition of Value-Added Tax?

A8: You can register using the Bureau of Internal Revenue's VAT on Digital Services (VDS) Portal by submitting the prescribed information therein.

Q9: When registering with the BIR, does a Non-Resident Digital Service Provider required to have a local representative?

A7: **NO.** It is not required to have a local representative in the Philippines. However, the non-resident DSP may appoint a resident-third party service provider which can be an individual or entity such as law firm, accounting firm or consultancy firm for purposes of receiving notices, record keeping, filing of tax returns and other reporting obligations.

Q10: What do we need to do when appointing a resident third party as mentioned in the previous question?

A10: The BIR shall be notified by the non-resident DSP in writing within thirty (30) days from the date of appointment.

Q11: Does the appointment consider the non-resident DSP doing business in the Philippines?

A11: The appointment shall not consider the concerned non-resident DSP as doing business in the Philippines.

Q12: What resident VAT-registered DSP should follow to comply with the requirements of VAT on Digital Service Law?

A12: The resident VAT-registered DSP, whether or not its buyer is engaged in business shall file the VAT return and pay the VAT due thereon following the policies and procedures under the Tax Code and other existing relevant laws, rules and regulations.

Q13: What if the resident VAT-registered DSP is also classified as an e-marketplace where nonresident participating merchants or sellers are transacting their business, are there any additional obligation on the part of the e-marketplace under the law?

A13: **YES.** The following shall be the obligations of a DSP that is classified as an e-marketplace.

- a. Electronically filing the required remittance return
- b. Withholding and remitting the twelve percent (12%) VAT due on the gross sales received by its nonresident participating merchant or seller relating to the sale of digital services consumed or used in the Philippines within ten (10) days following the end of the month the withholding was made in accordance with Section 108 (A) and 114 (C) of the Tax Code

Q14: Our company is a non-resident DSP with transactions to persons engaged in business in the Philippines, how are we going to file and pay the required Value-Added Tax?

A11: Considering that the transaction is one of Business-to-Business (B2B), the buyer of digital services from a non-resident Digital Service Provider shall be liable to withhold the VAT due on the transaction and remit the same to the Bureau of Internal Revenue within ten (10) days following the month the withholding in accordance with Sections 108(B), 114 (C) and (D), and 245(j) of the Tax Code. This is what we call the Reverse Charge Mechanism.

Q15: In the previous question, when the transaction is one of B2B, the buyer has the duty to withhold the VAT and remit to BIR following the Reverse Charge Mechanism under Section 114(D) of the NIRC. What is going to be the treatment of VAT withheld and remitted on the part of the buyer?

A15: The VAT withheld shall be considered as part of the cost or expense on the part of the withholding buyer.

Q16: Does the “Reverse Charge Mechanism” applicable to B2B transactions between both resident DSPs?

A16: **NO.** The usual rule on VAT shall be applied.

Q17: We are a resident VAT-registered Digital Service Provider, are we required to issue invoice if the value of the sales is less than Php500.00?

A17: **YES.** Under the Ease of Paying Taxes Act, if a person is a VAT-registered taxpayer, regardless of amount, the taxpayer shall issue invoice for every sale, barter or exchange of digital services.

Q18: Do the non-resident DSP required to issue invoice?

A18: **YES.** A non-resident DSP is required to issue invoice although they are only to issue an invoice the following information in lieu of invoicing requirements under the National Internal Revenue Code, to wit:

- (1) Date of transaction
- (2) Transaction reference number
- (3) Identification of the buyer (including TIN, if any)
- (4) Brief description of the transaction; and
- (5) The total amount with the indication that such amount includes VAT.

Q20: Does a non-resident DSP required to secure an “Authority to Print” for the invoice mentioned in the previous question? What is the form of the invoice? Can it be manual?

A20: A non-resident DSP is required to issue an invoice which can either be in electronic or not. There is no requirement to secure an Authority to Print and be registered with the BIR.

The invoice must be in English or with translation in English.

In case the sale of digital services by a nonresident VAT-registered DSP includes some services which are subject to VAT, and are VAT zero rated or VAT-exempt, the invoice shall clearly indicate the breakdown of the sale price by its taxable, VAT-exempt, and VAT zero-components. The calculation of the VAT on each portion of the sale shall be shown on the invoice.

In case that a nonresident DSP is classified as an online marketplace or e-marketplace, it shall issue the relevant sale or commercial invoice following the rules prescribed for nonresident VAT-registered DSPs.

Q21: Are there any VAT-exempt digital service transactions under this new law?

A21: **YES.** These are as follows:

- (A) Educational services, including online course, online seminars and online trainings rendered by private educational institutions, duly accredited by the Department of Education (DepEd), the Commission on Higher Education (CHED), the Technical Education and Skills Development Authority (TESDA), and those rendered by government educational institutions;
- (B) Sale of online subscription—based services to DepEd, CHED, TESDA, and educational institutions recognized by said government agencies; and
- (C) Services of bank, non-bank financial intermediaries performing quasi-banking functions, and other non-bank intermediaries that are rendered through different digital platforms. This includes Virtual Asset Service Providers (VASPs) registered and classified by BSP as non-bank financial institutions.

Q22: Can the Commissioner of Internal Revenue suspends the business operations of a Digital Service Provider who fails to comply with the requirements under the new law?

A22: **YES.** The Commissioner of Internal Revenue or his duly authorized representative, upon verification that any DSP fails to:

- (a) Register its business with the BIR
- (b) Comply with the provision of Revenue Regulations 3-2025

Has the authority to issue a Closure or Take Down Order to close the business operations of such covered persons engaged in business in accordance with applicable rules and regulations.

Q23: What is the coverage of the closure or take down order?

A23: The Closure or Take Down Order shall include the blocking of digital services performed or rendered in the Philippines by a DSP which shall be implemented by the Department of Information and Communications Technology, through the National Telecommunications Commission. Failure to cooperate by the concerned persons shall be construed as an intentional and over act that shall aggravate the offense charge.

The closure of business operations under a duly approved Closure or Take Down Order shall not preclude the BIR from filing the appropriate administrative and criminal sanctions against the persons concerned if evidence so warrants, or in the case of juridical entities, against its responsible officers, under the Run After Tax Evaders (RATE) Program of the BIR.

Q24: Does the BIR conducts post audit and verification on transactions between digital service providers and customers in either B2B or B2C transactions?

A24: **YES.** All parties to the B2B and B2C transactions that are within the taxing jurisdiction of the Philippines shall be subject to post-audit and examination by the

BIR pursuant to the provisions of the National Internal Revenue Code and its implementing revenue issuances.

For nonresident DSPs, BIR may also conduct verification from third-party sources on whether they are correctly declaring their gross sales and that of their customers for VAT purposes. The BIR shall inform the nonresident DSP of any discrepancy discovered and provide them opportunity to settle it immediately; otherwise, they shall be held liable under the provisions of Revenue Regulations 3-2025 on Suspension or Closure of Online Business Operations.

You may refer to this link for more details: [RR No. 3-2025.pdf](#)

REVENUE REGULATIONS 4-2025

The Bureau of Internal Revenue has issued Revenue Regulation 4-2025 dated January 30, 2025, amending the pertinent provisions of Revenue Regulations 02-98 as last amended by Revenue Regulations 11-2018 in line with the enactment into law of Republic Act No. 11975, or the 2024 General Appropriations Act.

Previously, an employee's achievement award with an annual monetary value not exceeding ten thousand pesos (Php10,000.00) must be given in the form of any tangible personal property other than a gift certificate or cash. The amendment now provides that it can be given in the form of a gift certificate or cash or any form of personal property with the same monetary threshold to be considered a De Minimis Benefit.

You may refer to this link for more details: [RR No. 4-2025.pdf](#)

B. REVENUE MEMORANDUM CIRCULAR

REVENUE MEMORANDUM CIRCULAR 5-2025

The Bureau of Internal Revenue has issued Revenue Memorandum Circular 5-2025 to provide clarifications and transitory provisions in order to align it in the light of the enactment into law of the Ease of Paying Taxes Act which took effect on 22 January 2024.

The following are the affected provisions presented in their simplified version as aligned with EOPT Act:

Revenue Memorandum Circular 11-2024 (Lease Accounting By Lessees)

Q6: What shall be the treatment of initial direct cost which was paid by the lessee in relation to the lease of an asset?

A6: Initial direct cost paid or incurred by the lessee shall be claimed as outright expense subject to substantiation requirements subject to withholding tax pursuant to Section 2.57.4 of Revenue Regulations 2-98 as amended. However, it must be clarified that notwithstanding the non-withholding of tax, the same can still be claimed as expense.

Initial direct cost refers costs directly related to negotiation and execution of a lease agreement.

Q7: What shall be the tax treatment of expenses paid or incurred by the lessee is which properly for the account of the lessor?

A7: The amounts paid by the lessee which are properly in the account of the lessor as stipulated in the contract shall be allowed as deductions in the year that these expenses were paid or accrued but must be substantiated with invoice issued by the lessor to the lessee. The amount paid shall form part of the gross sales of the lessor and allowable deduction on the part of the lessee.

Q12: What are the business tax implications related to leases?

A12: For business tax purposes, the following guidelines shall be observed:

1. The corresponding input VAT shall only be creditable to the lessee for the amount of rentals paid incurred/ accrued, which shall be evidenced by a **VAT invoice** pursuant to Section 113 of the Tax Code.

Q13: What are the withholding tax implications?

A12: 5% of withholding tax based on the amount payable which refers to the value paid/accrued or recorded as an expense or asset, whichever is applicable in the payor's book or at the issuance by the seller of the sale invoice or other adequate document to support such payable whichever comes first pursuant to Section 7 of RR No. 4-2024.

Q17: What will be the for the reportable amount of transactions in foreign currency for taxes other than income tax (e.g. VAT, Other Percentage Tax, Excise Tax, and Documentary Stamp Tax)

A17: The basis of the reportable amount for foreign currency transactions shall be the Philippine Peso converted amount using the prevailing spot rate on the date of transaction for taxes other than income tax.

In determining the date of transaction, the enactment of R.A. 11976 or the EOPT shall be taken into consideration which provides for the revised bases for reportable amounts for VAT, OPT and Withholding Tax, as follows:

- a. **For VAT**, it shall be based on the gross sales supported by a corresponding VAT invoice
- b. **For OPT**, it shall be based on the quarterly sales, depending on the type of transaction subject to said tax
- c. **For Excise Taxes**, the reportable amount shall be:
 - a. **Specific Tax** – based on weight or volume capacity or any other physical unit of measurement
 - b. **Ad valorem tax** – based on the selling price or other specified value of goods before the removal/release of the excisable products
- d. **For DST** – the reportable amount shall be based on the value provided in the documents subject to stamp tax
- e. **For Withholding Taxes** – in general, shall be the value of the taxable income payment at the time it has become payable, accrued or recorded as an expense or asset, whichever is applicable in the payor's books, or at the

issuance by the seller of the sales invoice or other adequate document to support such payable, whichever comes first.

Revenue Memorandum Circular 19-2024

Q1: What can be claimed as deductible interest expense?

A1: All interest paid or incurred within the taxable year of indebtedness connected with the taxpayer's trade, business or profession can be claimed as deduction subject to the following limitations:

1. The indebtedness must be that of the taxpayer
2. The interest must have been stipulated in writing
3. The interest must be legally due
4. The interest payment arrangement must not be between related taxpayers
5. The interest must not be incurred to finance petroleum operations
6. The interest was not treated as capital expenditure if such interest was incurred in acquiring property used in trade, business or exercise of profession
7. The interest shall be reduced by an amount equivalent to twenty percent (20%) of interest income subject to final tax. However, if the final withholding tax rate on interest income of twenty percent (20%) will be adjusted in the future, the interest reduction shall be adjusted accordingly.

For more information on this issuance you may refer to this link: [RMC No. 5-2025.pdf](#)

REVENUE MEMORANDUM CIRCULAR 6-2025

Due to ongoing technical concerns regarding the Online Registration and Update System (ORUS), the Bureau of Internal Revenue has extended the deadline for the submission of the following through Revenue Memorandum Circular 6-2025:

Registration	Original Deadline	Extended Deadline
Registration of Permanently Bound Loose-leaf Books of Accounts/Invoices or Other Accounting Records	January 15, 2025	January 30, 2025
Registration of Computerized Books of Accounts and Other Accounting Records	January 30, 2025	February 17, 2025

You may refer to this link for more information: [RMC No. 6-2025.pdf](#)

C. SECURITIES AND EXCHANGE COMMISSION

SEC MEMORANDUM CIRCULAR NO. 18 SERIES OF 2024

The Securities and Exchange Commission has issued SEC Memorandum Circular 18 series of 2024 providing guidelines on the disclosure of fee-related information of external auditors. This issuance requires all covered companies to present in two (2) year comparative certain information such as but not limited to fees payable or paid (or agreed fees with) the external auditor/ audit firm and network firms for audit of financial statement on which the external auditor or audit firm expresses an opinion, audited financial statements and shall be in accordance with the prescribed format as annex therein. This mandatory requirement is imposed only on certain covered persons which are as follows:

- (a) Listed companies or issuers with a class of securities listed for trading on an Exchange;
- (b) Issuers which have sold a class of its securities pursuant to a registration under Section 12 of the SRC
- (c) Public companies or companies with assets of at least Fifty Million Pesos (Php50 Million) or such other amount as the Commission shall prescribe and has two hundred (200) or more holders each holding at least One Hundred (100) shares of a class of its equity securities
- (d) Companies in the process of filing their financial statements for the purposes of issuing any class of instruments in a public market
- (e) Holders of secondary licenses issued by the Securities and Exchange Commission (SEC), Bangko Sentral ng Pilipinas (BSP), and Insurance Commission (IC)
- (f) Such other corporations that the Commission may consider in the future as imbued with public interest.

Failure to comply with any of the foregoing requirements shall subject the company to penalties under the SRC Rule 68.

Refer to this link for more details: [SEC MC No.18, series of 2024 GUIDELINES ON THE DISCLOSURE OF FEE-RELATED INFORMATION OF EXTERNAL AUDITORS - Securities and Exchange Commission](#)

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