



S E N A T E

S. No. 2528

(In substitution of Senate Bill No. 250, taking into
consideration House Bill No. 4122)

PREPARED BY THE COMMITTEE ON WAYS AND MEANS WITH
SENATORS CAYETANO (P.), GATCHALIAN, AND LEGARDA AS
AUTHORS THEREOF

AN ACT AMENDING SECTIONS 105, 108, 109, 110, 113,
114, 115, AND 236 AND ADDING NEW SECTIONS
108-A AND 108-B OF THE NATIONAL INTERNAL
REVENUE CODE OF 1997, AS AMENDED

*Be it enacted by the Senate and House of Representatives of
the Philippines in Congress assembled:*

1 SECTION 1. Section 105 of the National Internal
2 Revenue Code of 1997, as amended, is hereby further
3 amended to read as follows:

4 “SEC. 105. *Persons Liable.* – Any person
5 who, in the course of trade or business, sells,
6 barters, exchanges, leases goods or properties,
7 renders services, INCLUDING DIGITAL

1 SERVICES, and any person who imports goods
2 shall be subject to the value-added tax (VAT)
3 imposed in Sections 106 to 108 of this Code.

4 “The value-added tax is an indirect tax
5 and the amount of tax may be shifted or passed
6 on to the buyer, transferee or lessee of the
7 goods, properties or services. This rule shall
8 likewise apply to existing contracts of sale or
9 lease of goods, properties, or services at the
10 time of the effectivity of Republic Act No. 7716.

11 “The phrase *‘in the course of trade or*
12 *business’* means the regular conduct or pursuit
13 of a commercial or an economic activity,
14 including transactions incidental thereto, by
15 any person regardless of whether or not the
16 person engaged therein is a nonstock, nonprofit
17 private organization (irrespective of the
18 disposition of its net income and whether or not
19 it sells exclusively to members or their guests),
20 or government entity.

1 “The rule of regularity, to the contrary
2 notwithstanding, services as defined in this
3 Code rendered in the Philippines by
4 nonresident foreign persons shall be considered
5 as being rendered in the course of trade or
6 business: *PROVIDED, THAT DIGITAL*
7 *SERVICES DELIVERED BY NONRESIDENT*
8 *DIGITAL SERVICE PROVIDERS ARE*
9 *CONSIDERED PERFORMED OR*
10 *RENDERED IN THE PHILIPPINES IF THE*
11 *DIGITAL SERVICES ARE CONSUMED IN*
12 *THE PHILIPPINES.”*

13 SEC. 2. Section 108 of the National Internal Revenue
14 Code of 1997, as amended, is hereby further amended to
15 read as follows:

16 “SEC. 108. *Value-added Tax on Sale of*
17 *Services, INCLUDING DIGITAL SERVICES,*
18 *and THE Use or Lease of Properties. –*

19 “(A) *Rate and Base of Tax. –* There shall
20 be levied, assessed and collected, a value-added

1 tax equivalent to twelve percent (12%) of gross
2 receipts derived from the sale or exchange of
3 services, including DIGITAL SERVICES, AND
4 the use or lease of properties.

5 “The phrase ‘*sale or exchange of services*’
6 means the performance of all kinds of services
7 in the Philippines for others for a fee,
8 remuneration or consideration, including those
9 performed or rendered by construction and
10 service contractors; stock, real estate,
11 commercial, customs and immigration brokers;
12 lessors of property, whether personal or real;
13 warehousing services; lessors or distributors of
14 cinematographic films; persons engaged in
15 milling, processing, manufacturing or
16 repacking goods for others; proprietors,
17 operators or keepers of hotels, motels, rest
18 houses, pension houses, inns, resorts;
19 proprietors or operators of restaurants,
20 refreshment parlors, cafes and other eating

1 places, including clubs and caterers; dealers in
2 securities; lending investors; transportation
3 contractors on their transport of goods or
4 cargoes, including persons who transport goods
5 or cargoes for hire and other domestic common
6 carriers by land relative to their transport of
7 goods or cargoes; common carriers by air and
8 sea relative to their transport of passengers,
9 goods or cargoes from one place in the
10 Philippines to another place in the Philippines;
11 sales of electricity by generation companies,
12 transmission by any entity, and distribution
13 companies, including electric cooperatives;
14 services of franchise grantees of electric
15 utilities, telephone and telegraph, radio and
16 television broadcasting and all other franchise
17 grantees except those under Section 119 of this
18 Code, and non-life insurance companies (except
19 their crop insurances), including surety,
20 fidelity, indemnity and bonding companies;

1 DIGITAL SERVICE PROVIDERS; and similar
2 services regardless of whether or not the
3 performance thereof calls for the exercise or
4 use of the physical or mental faculties. The
5 phrase 'sale or exchange of services' shall
6 likewise include:

7 "(1) x x x;

8 "(2) x x x;

9 "(3) x x x;

10 "(4) x x x;

11 "(5) x x x;

12 "(6) x x x;

13 "(7) THE SUPPLY OF DIGITAL
14 SERVICES;

15 "([7]8) The lease of motion picture films,
16 films, tapes and discs; and

17 "([8]9) The lease or the use of or the right
18 to use radio, television, satellite transmission
19 and cable television time.

1 “Lease of properties shall be subject to the
2 tax herein imposed irrespective of the place
3 where the contract of lease or licensing
4 agreement was executed if the property is
5 leased or used in the Philippines.

6 “For purposes of this Section, the term
7 ‘gross sales’ means the total amount of money
8 or its equivalent representing the contract
9 price, compensation, service fee, rental or
10 royalty, including the amount charged for
11 materials supplied with the services during the
12 taxable quarter for the services performed for
13 another person, which the purchaser pays or is
14 obligated to pay to the seller in consideration of
15 the sale, barter, or exchange of services that
16 has already been rendered by the seller and the
17 use or lease of properties that have already
18 been supplied by the seller, excluding
19 value-added tax and those amounts earmarked
20 for payment to third (3rd) party or received as

1 reimbursement for payment on behalf of
2 another which do not redound to the benefit of
3 the seller as provided under relevant laws,
4 rules or regulations: *Provided*, That for
5 long-term contracts for a period of one (1) year
6 or more, the invoice shall be issued on the
7 month in which the service, or use or lease of
8 properties is rendered or supplied.

9 "x x x."

10 SEC. 3. A new section designated as Section 108-A
11 under Chapter I, Title IV, of the National Internal
12 Revenue Code of 1997, as amended, is hereby inserted to
13 read as follows:

14 "SEC. 108-A. *PERSONS LIABLE IN THE*
15 *PROVISION OF DIGITAL SERVICES.* – THE
16 DIGITAL SERVICE PROVIDER, WHETHER
17 RESIDENT OR NONRESIDENT, SHALL BE
18 LIABLE FOR ASSESSING, COLLECTING,
19 AND REMITTING THE VALUE-ADDED TAX
20 ON THE DIGITAL SERVICES CONSUMED

1 IN THE PHILIPPINES, SUBJECT TO THE
2 PROVISION ON WITHHOLDING OF VALUE-
3 ADDED TAX ON DIGITAL TRANSACTIONS
4 UNDER SECTION 114(D).

5 “WHEN USED IN THIS TITLE:

6 “(A) THE TERM ‘*DIGITAL SERVICE*’
7 SHALL REFER TO ANY SERVICE THAT IS
8 SUPPLIED OVER THE INTERNET OR
9 OTHER ELECTRONIC NETWORK WITH
10 THE USE OF INFORMATION
11 TECHNOLOGY AND WHERE THE SUPPLY
12 OF THE SERVICE IS ESSENTIALLY
13 AUTOMATED. DIGITAL SERVICES SHALL
14 INCLUDE, BUT NOT LIMITED TO:

15 “(1) ONLINE SEARCH ENGINE;

16 “(2) ONLINE MARKETPLACE OR
17 E-MARKETPLACE;

18 “(3) CLOUD SERVICE;

19 “(4) ONLINE MEDIA AND ADVERTISING;

20 “(5) ONLINE PLATFORM; OR

1 A NONRESIDENT DIGITAL SERVICE
2 PROVIDER REQUIRED TO BE REGISTERED
3 FOR VAT UNDER SECTION 236(F) OF THIS
4 CODE SHALL BE LIABLE FOR THE
5 REMITTANCE OF VALUE-ADDED TAX ON
6 THE DIGITAL SERVICES THAT ARE
7 CONSUMED IN THE PHILIPPINES IF THE
8 CONSUMERS ARE NON-VAT REGISTERED:
9 *PROVIDED*, THAT IF THE CONSUMERS
10 ARE VAT-REGISTERED, THE PROVISION
11 OF SECTION 114(D) SHALL APPLY.

12 “IF A VAT-REGISTERED NONRESIDENT
13 DIGITAL SERVICE PROVIDER IS
14 CLASSIFIED AS AN ONLINE
15 MARKETPLACE OR E-MARKETPLACE, IT
16 SHALL ALSO BE LIABLE TO REMIT THE
17 VALUE-ADDED TAX ON THE
18 TRANSACTIONS OF NONRESIDENT
19 SELLERS THAT GO THROUGH ITS
20 PLATFORM: *PROVIDED*, THAT IT

1 CONTROLS KEY ASPECTS OF THE
2 SUPPLY, AND PERFORMS ANY OF THE
3 FOLLOWING:

4 “(A) IT SETS, EITHER DIRECTLY OR
5 INDIRECTLY, ANY OF THE TERMS AND
6 CONDITIONS UNDER WHICH THE SUPPLY
7 OF GOODS IS MADE; OR

8 “(B) IT IS INVOLVED IN THE
9 ORDERING OR DELIVERY OF THE GOODS,
10 WHETHER DIRECTLY OR INDIRECTLY.”

11 SEC. 5. Section 109 of the National Internal Revenue
12 Code, as amended, is further amended to read as follows:

13 “SEC. 109. *Exempt Transactions.* –

14 “The following transactions shall be
15 exempt from the value-added tax:

16 “(A) x x x

17 “(B) x x x

18 “(C) x x x

19 “(D) x x x

20 “(E) x x x

1 “(F) x x x

2 “(G) x x x

3 “(H) Educational services, INCLUDING
4 ONLINE COURSES, ONLINE SEMINARS,
5 AND ONLINE TRAININGS, rendered by
6 private educational institutions, duly
7 accredited by the Department of Education
8 (~~DepED~~DEPED), the Commission on Higher
9 Education (CHED), the Technical Education
10 and Skills Development Authority (TESDA),
11 and those rendered by government educational
12 institutions; AND SALE OF ONLINE
13 SUBSCRIPTION-BASED SERVICES TO
14 DEPED, CHED, TESDA, AND EDUCATIONAL
15 INSTITUTIONS RECOGNIZED BY SAID
16 GOVERNMENT AGENCIES;

17 “(I) x x x

18 “(J) x x x

19 “(K) x x x

20 “(L) x x x

1 “(M) x x x

2 “(N) x x x

3 “(O) x x x

4 “(P) x x x

5 “(Q) x x x

6 “(R) x x x

7 “(S) x x x

8 “(T) x x x

9 “(U) x x x

10 “(V) Services of bank, non-bank financial
11 intermediaries performing quasi-banking
12 functions, and other non-bank financial
13 intermediaries, INCLUDING THOSE
14 RENDERED THROUGH THE DIFFERENT
15 DIGITAL PLATFORMS;

16 “x x x.”

17 SEC. 6. Section 110 of the National Internal Revenue
18 Code, as amended, is further amended to read as follows:

19 “SEC. 110. *Tax Credits.* –

20 “(A) *Creditable Input Tax.* –

1 “(1) x x x

2 “(2) The input tax on domestic purchase
3 or importation of goods or properties by a VAT-
4 registered person shall be creditable:

5 “(a) To the purchaser upon consummation
6 of sale and on importation of goods or
7 properties; and

8 “(b) To the importer upon payment of the
9 value-added tax prior to the release of the
10 goods from the custody of the Bureau of
11 Customs.

12 “*Provided*, That the input tax on goods
13 purchased or imported in a calendar month for
14 use in trade or business for which deduction for
15 depreciation is allowed under this Code shall
16 be spread evenly over the month of acquisition
17 and the fifty-nine (59) succeeding months if the
18 aggregate acquisition cost for such goods,
19 excluding the VAT component thereof, exceeds
20 One million pesos (P1,000,000): *Provided*,

1 *however*, That if the estimated useful life of the
2 capital good is less than five (5) years, as used
3 for depreciation purposes, then the input VAT
4 shall be spread over such a shorter period:
5 *Provided, further*, That the amortization of the
6 input VAT shall only be allowed until
7 December 31, 2021 after which taxpayers with
8 unutilized input VAT on capital goods
9 purchased or imported shall be allowed to
10 apply the same as scheduled until fully
11 utilized: *Provided, finally*, That in the case of
12 purchase of services, lease or use of properties,
13 the input tax shall be creditable to the
14 purchaser, lessee or licensee upon payment of
15 the compensation, rental, royalty or fee.

16 “NOTWITHSTANDING THE FOREGOING,
17 NONRESIDENT DIGITAL SERVICE
18 PROVIDERS SHALL NOT BE ALLOWED TO
19 CLAIM CREDITABLE INPUT TAX.

20 “x x x.”

1 SEC. 7. Section 113 of the National Internal Revenue
2 Code of 1997, as amended, is further amended to read as
3 follows:

4 “SEC. 113. *Invoicing and Accounting*
5 *Requirements for VAT-Registered Persons.* –

6 “(A) *Invoicing Requirement.* – A VAT-
7 registered person shall issue a VAT invoice for
8 every sale, barter, exchange, or lease of goods
9 or properties, and for every sale, barter or
10 exchange of services: *PROVIDED, THAT A*
11 *DIGITAL SALES OR COMMERCIAL INVOICE*
12 *SHALL BE ISSUED FOR EVERY SALE,*
13 *BARTER, OR EXCHANGE OF DIGITAL*
14 *SERVICES MADE BY A VAT-REGISTERED*
15 *NONRESIDENT DIGITAL SERVICE*
16 *PROVIDER.*

17 “(B) *Information Contained in the VAT*
18 *Invoice.* – x x x

19 “(1) x x x

20 “(2) x x x

1 “(3) x x x

2 “(4) x x x

3 “(5) THE DIGITAL SALES OR COMMERCIAL
4 INVOICE ISSUED BY A VAT-REGISTERED
5 NONRESIDENT DIGITAL SERVICE
6 PROVIDER SHALL INDICATE THE
7 FOLLOWING INFORMATION IN LIEU OF
8 THE REQUIREMENTS UNDER SECTION 113
9 SUBSECTION (B) PARAGRAPHS 1 TO 4:

10 (A) DATE OF THE TRANSACTION;

11 (B) TRANSACTION REFERENCE NUMBER;

12 (C) IDENTIFICATION OF THE
13 CONSUMER;

14 (D) BRIEF DESCRIPTION OF THE
15 TRANSACTION;

16 (E) THE TOTAL AMOUNT WITH THE
17 INDICATION THAT SUCH AMOUNT
18 INCLUDES THE VALUE-ADDED TAX; AND

19 (F) IF THE SALE OF DIGITAL
20 SERVICES INCLUDE SOME SERVICES

1 WHICH ARE SUBJECT TO VAT, AND SOME
2 THAT ARE VAT ZERO-RATED OR
3 VAT-EXEMPT, THE INVOICE SHALL
4 CLEARLY INDICATE THE BREAK-DOWN
5 OF THE SALE PRICE BETWEEN ITS
6 TAXABLE, EXEMPT, ZERO-RATED, AND
7 COMPONENTS SUBJECT TO VALUE-ADDED
8 TAX: *PROVIDED*, THAT THE CALCULATION
9 OF THE VALUE-ADDED TAX ON EACH
10 PORTION OF THE SALE SHALL BE SHOWN
11 ON THE INVOICE.

12 “(C) *Accounting Requirements.* – Notwithstanding
13 the provisions of Section 233, all persons
14 subject to the value-added tax under Sections
15 106 and 108 shall, in addition to the regular
16 accounting records required, maintain a
17 subsidiary sales journal and subsidiary
18 purchase journal on which the daily sales and
19 purchases are recorded. The subsidiary
20 journals shall contain such information as may

1 be required by the Secretary of Finance:
2 *PROVIDED, THAT THIS SUBSECTION*
3 *SHALL NOT APPLY TO VAT-REGISTERED*
4 *NONRESIDENT DIGITAL SERVICE*
5 *PROVIDERS.*

6 “(D) x x x

7 “(E) x x x.”

8 SEC. 8. Section 114 of the National Internal Revenue
9 Code of 1997, as amended, is further amended to read as
10 follows:

11 “SEC. 114. *Return and Payment of Value-*
12 *Added Tax. –*

13 “(A) *In General. –* x x x

14 “(B) *Where to File the Return and Pay the*
15 *Tax. –* x x x

16 “(C) *Withholding of Creditable Value-*
17 *Added Tax. –* The Government or any of its
18 political subdivisions, instrumentalities or
19 agencies, including government-owned or
20 -controlled corporations (GOCCs) shall, before

1 making payment on account of each purchase
2 of goods and services which are subject to the
3 value-added tax imposed in Sections 106 and
4 108 of this Code, deduct and withhold the
5 value-added tax imposed in Sections 106 and
6 108 of this Code, deduct and withhold a final
7 value-added tax at the rate of five percent (5%)
8 of the gross payment thereof: *Provided*, That
9 beginning January 1, 2021, the VAT
10 withholding system under this subsection shall
11 shift from final to a creditable system:
12 *Provided, further*, That the payment for lease
13 or use of properties or property rights to
14 nonresident owners AND PAYMENTS FOR
15 SERVICES TO NONRESIDENT SUPPLIERS
16 WHO ARE NOT REGISTERED UNDER
17 SECTION 236, shall be subject to twelve
18 percent (12%) withholding tax at the time of
19 payment: *Provided, finally*, That payments for
20 purchases of goods and services arising from

1 projects funded by Official Development
2 Assistance (ODA) as defined under Republic
3 Act No. 8182, otherwise known as the ‘Official
4 Development Assistance Act of 1996’ as
5 amended, shall not be subject to the final
6 withholding tax system as imposed in this
7 Subsection. For purposes of this Section, the
8 payor or person in control of the payment shall
9 be considered as the withholding agent.

10 “The value-added tax withheld under this
11 Section shall be remitted within ten (10) days
12 following the end of the month the withholding
13 was made.

14 “(D) *REVERSE CHARGE MECHANISM*
15 *IN DIGITAL SERVICES.* – A VAT-
16 REGISTERED TAXPAYER SHALL BE
17 LIABLE TO WITHHOLD AND REMIT TO
18 THE BUREAU OF INTERNAL REVENUE,
19 WITHIN TEN (10) DAYS FOLLOWING THE
20 END OF THE MONTH THE WITHHOLDING

1 WAS MADE, THE VALUE-ADDED TAX DUE
2 ON ITS PURCHASES OF DIGITAL
3 SERVICES CONSUMED IN THE
4 PHILIPPINES FROM NONRESIDENT
5 DIGITAL SERVICE PROVIDERS.”

6 SEC. 9. Section 115 of the National Internal Revenue
7 Code (NIRC) of 1997, as amended, is hereby further
8 amended to read as follows:

9 “SEC. 115. *Power of the Commissioner to*
10 *Suspend the Business Operations of a*
11 *Taxpayer. – x x x*

12 “(a) x x x

13 “(b) x x x

14 “The temporary closure of the establishment
15 shall be for the duration of not less than five (5)
16 days and shall be lifted only upon compliance
17 with whatever requirements prescribed by the
18 Commissioner in the closure order.

19 “THE POWER OF THE
20 COMMISSIONER TO SUSPEND SHALL

1 INCLUDE THE BLOCKING OF DIGITAL
2 SERVICES PROVIDED TO THE
3 PHILIPPINES BY A DIGITAL SERVICE
4 PROVIDER. THIS SHALL BE
5 IMPLEMENTED BY THE DEPARTMENT OF
6 INFORMATION AND COMMUNICATIONS
7 TECHNOLOGY (DICT), THROUGH THE
8 NATIONAL TELECOMMUNICATIONS
9 COMMISSION (NTC).”

10 SEC. 10. Section 236 of the National Internal Revenue
11 Code (NIRC) of 1997, as amended, is hereby further
12 amended to read as follows:

13 “SEC. 236. *Registration Requirements.* –

14 “(A) x x x

15 “(B) x x x

16 “(C) x x x

17 “(D) x x x

18 “(E) x x x

19 “(F) *Persons Required to Register for*
20 *Value-Added Tax.* –

1 “(1) Any person who, in the course of
2 trade or business, sells, barter, [or] exchanges,
3 OR LEASES goods or properties, INCLUDING
4 THOSE DIGITAL IN NATURE, ANY PERSON
5 WHO RENDERS SERVICES, INCLUDING
6 DIGITAL SERVICES, or engages in the sale or
7 exchange of services, shall be liable to register,
8 either electronically or manually, for value-
9 added tax if:

10 “(a) The person’s gross sales for the past
11 twelve (12) months, other than those that are
12 exempt under Section 109(A) to (CC), have
13 exceeded the threshold as provided in
14 Section 109(CC); or

15 “(b) There are reasonable grounds to
16 believe that the gross sales for the next twelve
17 (12) months, other than those that are exempt
18 under Section 109(A) to (CC), will exceed the
19 threshold as provided in Section 109(CC):

1 “*PROVIDED*, THAT THE BIR SHALL
2 ESTABLISH A SIMPLIFIED AUTOMATED
3 REGISTRATION SYSTEM FOR
4 NONRESIDENT DIGITAL SERVICE
5 PROVIDERS, WHICH SHALL BE
6 PRESCRIBED BY THE SECRETARY OF
7 FINANCE, UPON THE RECOMMENDATION
8 OF THE COMMISSIONER OF INTERNAL
9 REVENUE.

10 “x x x”

11 SEC. 11. *Mode of Correspondence.* – Any
12 communication, notice, or summons to a nonresident
13 digital service provider can be made via electronic mail
14 messaging.

15 SEC. 12. *Transitory Clause.* – Nonresident digital
16 service providers shall immediately be subject to value-
17 added tax under this Act after one hundred twenty (120)
18 days from the effectivity of the implementing rules and
19 regulations.

1 SEC. 13. *Implementing Rules and Regulations.* – The
2 Department of Finance (DOF), upon the recommendation
3 of the BIR, and in coordination with the DICT and the
4 NTC, and upon consultation with the stakeholders, shall
5 issue rules and regulations for the effective
6 implementation of this Act not later than ninety (90) days
7 from the effectivity of this Act.

8 SEC. 14. *Separability Clause.* – Should any provision
9 of this Act or any part thereof be declared invalid, the
10 other provisions, so far as they are separable from the
11 invalid ones, shall remain in force and effect.

12 SEC. 15. *Repealing Clause.* – All laws, decrees, orders,
13 and issuances, or portions thereof, which are inconsistent
14 with the provisions of this Act, are hereby repealed,
15 amended, or modified accordingly.

16 SEC. 16. *Effectivity.* – This Act shall take effect fifteen
17 (15) days after its publication in the *Official Gazette* or in a
18 newspaper of general circulation.

Approved,