

# 12% VAT on Non-Resident Digital Service Providers in the Philippines

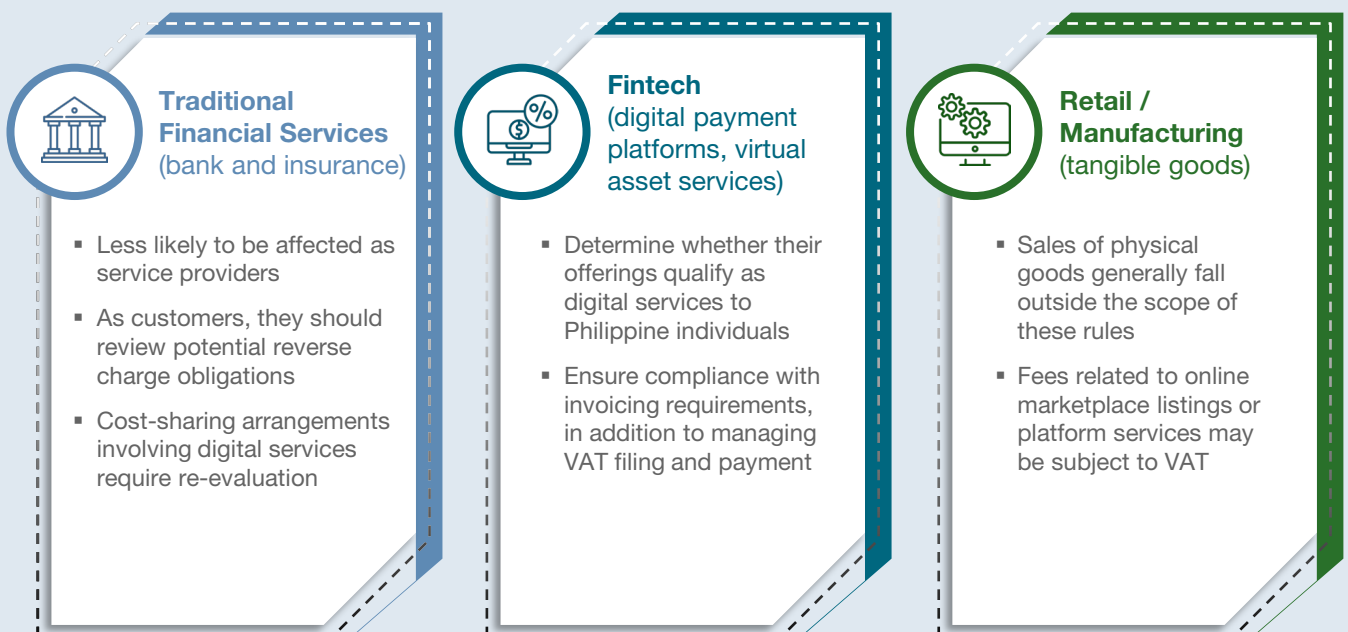
The implementation of a 12% VAT on Non-Resident Digital Service Providers (NRDSPs) in the Philippines officially commenced on 2 June 2025. Below summary captures some key VAT implications of the rules to help you navigate these changes.

## COMPARISON WITH SIMILAR REGIMES IN OTHER COUNTRIES

	Philippines' Stance	Global Norm
<b>B2C Digital Services Affected</b>	Non-Resident Digital Service Providers (NRDSPs) must register with the Bureau of Internal Revenue (BIR) and manage VAT filing and payment for their B2C digital services	Align with Global Norm
<b>B2B Digital Services Also In-Scope</b>	NRDSPs offering B2B digital services must register with the BIR and manage VAT filing, though local businesses typically handle VAT payments.	VAT on B2B digital services typically managed by local businesses (e.g. via reverse charge)
<b>Cost-sharing arrangements</b>	Group cost-sharing arrangements involving digital services are regarded as B2B transactions, potentially requiring VAT filing, with further guidance from the BIR expected	Cost-sharing arrangements are rarely considered in comparable VAT/GST regimes

## INDUSTRY-SPECIFIC IMPLICATIONS

While the rules primarily target obvious digital service providers (e.g., cloud services, e-commerce platforms, digital content providers), other sectors should also assess their exposure. For example:



# HOW TO PREPARE



## Review Business Operations

Evaluate how the VAT will impact your business model. Consider pricing adjustments, cost structures, and potential changes in consumer behavior.



## Update Systems and Processes

Ensure that the accounting and invoicing systems can handle VAT calculations accurately. Train staff on compliance requirements and reporting procedures.



## Assess Customer Base

Identify whether your customers fall into B2B or B2C categories as the compliance requirements are different. Understand their VAT registration status and adjust your billing processes accordingly.



## Monitor Marketplace Activities

If your business operates as an online marketplace, be aware of your responsibilities regarding VAT remittance for non-resident sellers. Implement necessary controls and reporting mechanisms.



## Seek Professional Advice

Consult with A&M tax experts to navigate the complexities. Understand the potential income tax implications and assess any PE risks, in addition to VAT.

## TAKEAWAYS

Some key features of the rules have been highlighted above, noting however that more details have been outlined in the relevant regulations and circulars released by the BIR. More comprehensive and specific analysis on how the rules impact specific business model is critical.

Contact **Andy Winthrop** or **Alan Pang** for further information.

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