Legal Watch

REVENUE MEMORANDUM CIRCULAR NO. 59-2026

Photo Credit: BusinessMirror

Agency Name

Bureau of Internal Revenue (BIR)

Issuance Title

Further Clarifying the Provisions of Revenue Regulations No. 3-2025 to Implement 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

Issuance Date

2 June 2026

Link

https://bir-cdn.bir.gov.ph/BIR/pdf/RMC%20No.%2059-2026.pdf

SUMMARY

RMC 59-2026 resolves certain issues on the implementation of the 12% Value-Added Tax (VAT) on digital services under Republic Act No. 12023. The key points are as follows:

(a) A nonresident digital service provider (NRDSP) supplying digital services to Philippine consumers and whose digital services are entitled to VAT exemption must still register with the BIR and file VAT returns, indicating its sales as VAT-exempt sales.

(b) In a cross-border cost-sharing arrangement involving a (i) NRDSP, (ii) foreign affiliate that contracts and/or pays for the digital services, and (iii) a Philippine subsidiary that ultimately consumes the digital service, the Philippine subsidiary shall be liable to file the VAT return and to withhold and remit the 12% VAT under the reverse charge mechanism for a business-to-business (B2B) transaction. However, the NRDSP which has no direct transaction with the Philippine subsidiary, shall not be required to register with the BIR unless it is supplying digital services to other Philippine consumers. Nevertheless, the foreign affiliate may be required to register as NRDSP if it controls pricing, payment terms, or fulfillment/delivery conditions.

(c) Subscription fees and commission or service fees paid to NRDSP online booking platforms are subject to 12% VAT. The platform's VAT liability, however, attaches only to the portion that qualifies as a digital service.

(d) For long-term subscriptions paid in advance that span the effectivity dates of the digital VAT law (i.e. 2 June 2025), the 12% VAT shall apply proportionally.

Legal Watch

REVENUE MEMORANDUM CIRCULAR NO. 59-2026

Photo Credit: BusinessMirror

Agency Name

Bureau of Internal Revenue (BIR)

Issuance Title

Further Clarifying the Provisions of Revenue Regulations No. 3-2025 to Implement 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

Issuance Date

2 June 2026

Link

https://bir-cdn.bir.gov.ph/BIR/pdf/RMC%20No.%2059-2026.pdf

SUMMARY

(e) Digital ads purchased by a Philippine entity are subject to 12% VAT under the reverse charge mechanism, regardless of where the target audience is located. Conversely, service fees earned by local agencies catering to foreign clients may qualify for 0% zero-rated VAT.

(f) Nonresident corporations facilitating real-time digital fund transfers are subject to 12% VAT on the service fees they collect from clients located in the Philippines.

(g) An e-marketplace which collects VAT payments on behalf of its online sellers may be considered a digital service provider. In such case, it shall be required to file BIR Form 2550-DS and remit the 12% VAT on the covered B2C transactions.

(h) Tax benefits under a double taxation agreement cover only income tax. A digital service supplied by a treaty-entitled NRDSP remains subject to VAT, unless it is VAT zero-rated or VAT-exempt under Sections 108, 109, and 295 of the Tax Code.