REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
National Office Building
Quezon City

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REVENUE MEMORANDUM CIRCULAR NO. 8-2024

SUBJECT : Clarifying the Provisions of Revenue Regulations No. 16-2023 Imposing Withholding Tax on Gross Remittances Made by Electronic Marketplace Operators and Digital Financial Services Providers to Sellers/Merchants

TO : All Internal Revenue Officers and Others Concerned

Revenue Regulations (RR) No. 16-2023, which further amended RR No. 2-98, was issued to impose a withholding tax on gross remittances made by electronic marketplace (e-marketplace) operators and digital financial services providers (DFSP) to sellers/merchants.

This Circular is hereby issued for the guidance of all concerned to prescribe the timeline and implementation procedures of RR No. 16-2023 in compliance with Section 3 of the said RR, and to address the potential issues and concerns which may arise from the implementation thereof.

Q1 : **When is the effectivity of RR No. 16-2023?**

A1 : Pursuant to Section 6 of RR No. 16-2023, the withholding tax obligation of e-marketplace operator and DFSPs shall take effect after fifteen (15) days following its publication in a newspaper of general circular or the Official Gazette, whichever comes first. RR No. 16-2023 was first published in Manila Bulletin on December 27, 2023. Thus, RR No. 16-2023 shall take effect on January 11, 2024.

Q2 : **Is there a transitory period?**

A2 : Yes. The e-marketplace operators and DFSPs are allowed a period of ninety (90) days from the date of issuance of this Circular to comply with the relative policies or requirements of other government agencies, if any, and to give them an opportunity to adjust and properly comply with the provisions of RR No. 16-2023 prior to the actual imposition of the prescribed creditable withholding tax. Further, existing unregistered sellers/merchants shall comply with the applicable requirements enumerated in Q4 - A4 of this Circular within the same prescribed period.

Q3 : **What constitutes the annual total gross remittances of P500,000.00 to an online seller/merchant for purposes of not subjecting it from the prescribed creditable withholding tax?**

A3 : The gross remittances of P500,000.00 shall consist of the total amount of remittances received by the online seller/merchant from ALL e-marketplace operators and DFSPs; provided, however, that, in case any of the e-marketplace operators and DFSPs has determined that the gross remittances in its online platform exceeded P500,000.00 anytime during the taxable year, the prescribed withholding tax shall be automatically deducted

from the particular remittance exceeding the said threshold and the same shall be imposed on subsequent remittances.

Q4 : **What are the obligations of sellers/merchants under RR No. 16-2023?**

A4 : Sellers/Merchants are required to observe the following:

1. Register their business with the Bureau of Internal Revenue (BIR) and submit a copy of the BIR-issued Certificate of Registration as part of the documentary requirements by e-marketplace operator prior to the use of the e-marketplace facility.

   If the gross remittance received from the e-marketplace operators or DFSPs is determined and/or expected not to exceed the threshold of P500,000.00, submit a Sworn Declaration (SD) duly received by the BIR and in the form prescribed in Annex "A" of this Circular upon application (or within the transitory period in case of existing participant sellers/merchants of e-marketplace operators and DFSPs) with e-marketplace or DFSP declaring that the total gross remittance to be received from the e-marketplace operators or DFSPs shall not exceed P500,000.00. The BIR-received SD shall be submitted thereafter on or before the 20th day of the first month of each taxable year.

   In case of failure to submit the prescribed SD, regardless of the actual total income or gross remittance, the withholding tax imposed by RR No.16-2023 shall automatically be deducted by the e-marketplace operator or DFSP.

   Should the gross remittances exceed the P500,000.00 at any time during the taxable year, the prescribed BIR-received SD shall be immediately submitted to the e-marketplace operators or DFSPs by the sellers/merchants.

   Illustration:

   Taxable year is from January to December 2024.

   In March 2024 (the month of application or within the transitory period for existing participant seller/merchant), a BIR-received SD is submitted by the seller/merchant to the e-marketplace operators and DFSPs declaring that the threshold is determined (from previous year) and/or expected (current year) to not exceed P500,000.00. Consequently, all gross remittances starting March 2024 will not be subjected to withholding tax.

   However, in August 2024, it was determined by the seller/merchant that the gross remittances exceeded the threshold, hence, a BIR-received SD indicating that the gross remittances exceed P500,000.00 shall be submitted by such seller/merchant to the e-marketplace operators and DFSPs declaring such and withholding shall commence. On January 20, 2025, withholding of taxes continues and there is no need to submit a BIR-received SD considering that it qualifies under Section 2.57.2(X) of RR No. 2-98, as amended by RR No. 16-2023.

   If it was determined that the total gross remittances for taxable year 2025 to the seller/merchant have not exceeded the threshold, it shall submit on or before January 20, 2026 to the e-marketplace operators and DFSPs a BIR-received SD declaring that the threshold is determined (from previous year) and/or expected (current year) to not exceed P500,000.00. Therefore, all gross remittances during taxable year 2026 will not be subjected to withholding tax.

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2. If a seller/merchant is exempt from income tax or subject to a lower income tax rate pursuant to any existing law or treaty, submit a duly issued certification to the e-marketplace operator as proof of exemption or entitlement to a lower tax rate pursuant to the provisions of Section 2 of RR No. 16-2023, which states:

> '(c) if the seller/merchant is duly exempt from or subject to a lower income tax rate pursuant to any existing law or treaty. Provided that, the concerned seller/merchant is able to secure the necessary certification, clearance, ruling, or any other document serving as proof of entitlement to the said exemption or lower income tax rate. The said proof of entitlement shall be submitted by the seller/merchant to the e-marketplace operator or digital financial services provider concerned.'

Q5 : **Are existing unregistered sellers/merchants selling goods and services in an e-marketplace or DFSP required to register with BIR?**

A5 : Yes. All existing sellers/merchants selling goods and services in an e-marketplace not yet BIR-registered shall register their businesses with BIR pursuant to the National Internal Revenue Code of 1997, as amended (Tax Code). Moreover, after the transitory period prescribed under this Circular, e-marketplace operators and DFSPs shall not allow unregistered businesses to sell goods and services in their platform/facility.

Q6 : **What are the obligations of e-marketplace operators and DFSPs under RR No. 16-2023?**

A6 : E-marketplace operators and DFSPs are required to observe the following:

1. Ensure that all sellers/merchants applying for the use of the e-marketplace or DFSP platforms are registered with the BIR by requiring the submission of their Certificate of Registration (BIR Form No. 2303) prior to allowing sellers/merchants to use the e-marketplace facility or DFSP platform, as the case may be.

2. Require sellers/merchants who are duly exempt from or subject to a lower income tax rate pursuant to any existing law or treaty to submit the necessary certification or any other document as proof of entitlement to the said exemption or lower income tax rate.

3. Require sellers/merchants to submit a copy of the BIR-received SD. In case the sellers/merchants failed to submit the BIR-received SD, regardless of the actual income or gross remittances, the withholding tax shall be automatically deducted under RR No. 16-2023.

   Further, when the seller/merchant failed to submit the required BIR-received SD to the e-marketplace operator or DFSP within the prescribed period, the withholding tax shall likewise be automatically deducted.

4. Monitor the gross payments of buyers/customers and deduct the withholding tax prescribed under RR No. 16-2023 before subsequently remitting the same to the concerned sellers/merchants.

5. Provide sellers/merchants the Certificate of Creditable Tax Withheld at Source (BIR Form No. 2307) within the period prescribed under the Tax Code, and other relevant revenue issuances, or upon request by the sellers/merchants.

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Q7 : **When will the withholding tax obligation of the e-marketplace operator and DFSP commence in cases where the accumulated gross remittances to a seller/merchant exceed the prescribed P500,000.00 threshold?**

A7 : The withholding tax obligation shall commence:

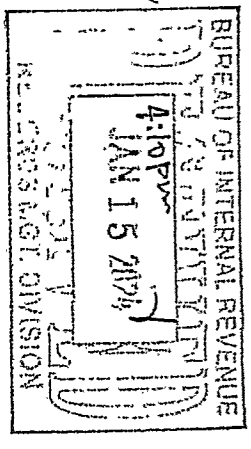
1. Upon receipt by the e-marketplace operator and DFSP of the BIR-received SD indicating that the sellers/merchants have exceeded the P500,000.00; or

2. When the seller/merchant failed to submit the required BIR-received SD to the e-marketplace operator or DFSP within the prescribed period; or

3. When the e-marketplace operator or DFSP has determined that its total gross remittances to the concerned seller/merchant have exceeded the P500,000.00 threshold.

Q8 : **Are sellers/merchants allowed to receive payments through their personal/individual accounts instead of a business account?**

A8 : No. The sellers/merchants are not allowed to receive payments through their personal/individual accounts. In all payments/remittances/transfers covered under RR No. 16-2023, the seller/merchant's account shall, at all times, be under the BIR-registered tradename of the seller/merchant. The BIR shall monitor usage of account under the registered tradename of the seller/merchant.



Q9 : **Mr. Mark is a rider of Go Movers, a platform for carriage of goods and merchandise. Go Movers offers a purchase service wherein their rider will buy and pay for the goods and deliver the same to the buyer. Upon delivery, the buyer will pay the cost of goods and delivery fee and purchase service fee, if any, directly to the rider.**

Ms. Glyza booked a purchase service in the Go Movers mobile application and set the location of the store as the pick-up point and her location as the drop-off point. She messaged Mr. Mark, the assigned rider for her booking, with the list of goods to be bought. Mr. Mark purchased the goods at the store and delivered the same to Ms. Glyza. She paid the cost of goods, the delivery fee and purchase service fee in cash directly to Mr. Mark.

Is this scenario subject to withholding tax under RR No. RR 16-2023?

A9 : This scenario is not subject to withholding tax considering that Go Movers did not collect the payment of the buyer, in behalf of the seller; hence, the platform does not remit income payment to the seller or store. Rather, Mr. Mark advanced the payment to the store and received the payment from the buyer only upon the delivery of the goods.

In case the e-marketplace platform accepts or collects payment for the goods and remits the same to the seller, this shall be subject to withholding pursuant to RR No. 16-2023 where withholding tax shall be deducted before its remittance of the income payment to the seller.

Q10 : **CashLess is a digital financial services provider where users deposit funds into their account and utilize the cash value to settle payments.**

Mr. Daniel uses CashLess to settle his monthly electric bills payable to Light Supply, an electricity provider company. Light Supply is listed as a merchant at CashLess

where users may settle their electric bills using CashLess' online platform. Mr. Daniel uses his funds at CashLess to settle his bills.

CashLess has contracted PayNow as its payment aggregator/facilitator of payments to accredited billers/merchants.

Who shall deduct the withholding tax before remittance to the seller/merchant pursuant to RR No. 16-2023?

A10 : In the event that the payment is transmitted to the seller/merchant through different facilities, the last facility which has control of the payment before completely remitting the same to the seller/merchant shall be liable to withhold the taxes under RR No. 16-2023. In this case, only the remittance of payment from PayNow (payment aggregator) to Light Supply (the seller/merchant) shall be subject to withholding tax under RR No. 16-2023.

Q11 : **What BIR form and Alphanumeric Tax Code (ATC) shall be filed and used by e-marketplace operators and DFSPs?**

A11 : BIR Form Nos. 0619-E for the first two months of the quarter and a revised 1601-EQ for the last or third month of the quarter which is inclusive of the additional ATC for creditable withholding tax imposed by RR No. 16-2023 shall be issued through another RMC.

Q12 : **What are the penalties in case of violation of any of the provisions of RR No. 16-2023?**

A12 : The violation of any of the provisions of RR No. 16-2023 shall be subject to appropriate penalties under the Tax Code, relevant laws, rules and regulations.

All internal revenue officials, employees and others concerned are hereby enjoined to give this Circular as wide publicity as possible.

ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue

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