REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

December 28, 2012

REVENUE MEMORANDUM CIRCULAR NO. 91-2012

Subject: Supplement to Revenue Memorandum Circular No. 63-2012 on Invoicing and Recording of Income Payments for Media Advertising Placements

To: All Revenue Officials, Employees and Others Concerned

This Circular is being issued to supplement the guidelines laid down in Revenue Memorandum Circular No. 63-2012 dated October 29, 2012 to cover invoicing and recording of income payments for media advertising placements under a split payment scheme or arrangement.

Under a split payment arrangement, the advertiser may engage or contract directly with a media entity/supplier and an advertising agency for media advertising placements. As such, the income payments directly made by the advertiser to the media supplier and to the advertising agency is limited to the cost of the service provided by each entity (i.e. billing of the media supplier for the total cost of production and media placement and billing of advertising agency for commission/service fee).

The following are the accounting entries to guide concerned taxpayers in their invoicing and recording of income payments and receipts in relation to media advertising placements.

Assuming that the total cost of the advertiser for the total media advertisement is P100,000 comprised of P85,000 media entity/supplier billing and P15,000 advertising agency commissioner/service fee, inclusive of VAT:

A. Accounting entries in the Books of Account of the Advertiser:

Receipt of billing from media entity/supplier

	Debit	Credit
Advertising Expense	P85,000	
Deferred Input VAT	10,200	
Accounts Payable – Media Entity/Supplier		P95,200

Payment to Media Entity/Supplier

	Debit	Credit
Accounts Payable – Media Entity/Supplier	P95,000	
Creditable IT Withheld		P 1,700
Cash		93,500

Receipt of Billing from Advertising Agency

	Debit	Credit
Service Expense	P15,000	
Deferred Input VAT	1,800	
Accounts Payable – Advertising Agency		P16,800

Payment to Advertising Agency

	Debit	Credit
Accounts Payable – Advertising Agency	P16,800	
Creditable IT Withheld		P 300
Cash		16,500

B. Accounting Entries in the Books of Account of the Media Entity/Supplier

Billing to Client/Advertiser for the Media Placement

	Debit	Credit
Accounts Receivable – Advertiser	P95,200	
Income/Fees – Media Placement		P85,000
Deferred VAT Payable		10,200

Receipt of Income Payment from Advertiser

	Debit	Credit
Cash	P93,500	
Creditable Withholding Tax	1,700	
Accounts Receivable – Advertiser		P95,200

C. Accounting entries in the books of account of the Advertising Agency

Billing to Client/Advertiser for the Commission/Service Fee

	Debit	Credit
Accounts Receivable – Advertiser	P16,800	
Commission Income/Service Fees		P15,000
Deferred VAT Payable		1,800

Receipt of Income Payment from Advertiser

	Debit	Credit
Cash	P16,500	
Creditable IT Withheld	300	
Accounts Receivable – Advertiser		P16,800

All revenue officers and employees are hereby enjoined to give this Circular as wide a publicity as possible.

(Original Signed)
KIM S. JACINTO-HENARES
Commissioner of Internal Revenue