REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

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REVENUE MEMORANDUM ORDER NO. 29-2021

SUBJECT: Monitoring and Verification of the Tax Compliance of Online Merchants / Social Media Influencers / Other Businesses Operating in Digital Platforms

TO: All Revenue Officers and Others Concerned

I. Background

Business transactions nowadays are executed and facilitated using internet platforms such as Facebook, Instagram, YouTube, Airbnb, Lazada, Shopee, etc. Regardless of the manner of doing business or of earning income, taxpayers have the obligation to register, file their tax returns, and pay whatever taxes are due the government. The conduct of business through a digital platform does not exempt anyone from his/her/its tax obligations under the law.

As early as 2013, the Bureau of Internal Revenue (BIR) already issued Revenue Memorandum Circular (RMC) No. 55-2013 reiterating taxpayers' obligations in relation to online business transactions, including online retailing through virtual shopping malls, online marketplaces, webstores, and similar websites (collectively referred to as "online stores"). Recently, with the popularity of social media influencers (SMIs) or those earning income in exchange for services performed as bloggers, video bloggers and other activities performed on social media, the BIR issued RMC No. 97-2021 to remind them of their tax obligations. Through these issuances, the BIR emphasizes that the advances introduced by the internet will not hinder its enforcement of tax laws against persons earning income using any of the digital and social media platforms.

This Order is, therefore, issued to direct all Revenue District Offices (RDOs) under all Revenue Regions (RRs) and the LT Divisions (LTDs)/LT Audit Divisions (LTADs, Regular or Excise) under the Large Taxpayers Service (LTS) to monitor and verify the tax compliance of online merchants, SMIs and other businesses operating through digital or online platforms (hereinafter referred to as "subject taxpayers") who are registered or residing within their jurisdictions.

II. Creation of Special Task Force

To help the concerned offices of the BIR monitor and verify the tax compliance of subject taxpayers, a Special Task Force (STF) in every revenue regional office and in the LTS shall be created to perform the following tasks:

1. gather and collate all relevant information pertaining to, and create a database of:

   a) all online sellers of goods and/or services (e.g., financial technology (fintech) companies,[1] online leasing services or renting out of property via Airbnb, Agoda.com, Booking.com and other online leasing platforms) and SMIs registered or residing within their jurisdictions

   b) properties being leased out by online lessors within their respective jurisdictions

2. Determine which among the subject taxpayers are or are not registered with the BIR.

   2.1 For registered taxpayers, evaluate their tax compliance, to wit::

   a. Payment of annual registration fee (ARF);

   b. Issuance of Sales Invoices (SIs)/Official Receipts (ORs);

   c. Keeping of Books of Accounts; [2]

   d. Timely filing of requisite tax returns and the payment of taxes due thereon;

   e. Withholding of tax on income payments subject to withholding and the timely remittance of tax withheld;

   f. Filing of required information returns, such as the Summary List of Sales/Purchases (SLSP), Annual Alpha List of Payees, etc. on or before the due dates prescribed by law or existing revenue issuances, whenever applicable.

   In evaluating their tax compliance, the STF may conduct Tax Compliance Verification Drive (TCVD). However, prior to the conduct of TCVD, the STF shall verify from the BIR's database the taxpayer's registration information including: i) the registered SIs/ORs or those allowed to be printed and used pursuant to a duly issued Authority to Print or Permit to Use Cash Register/Point of Sale Machines (CRM/POS); ii) registered Computerized Accounting System, if any; iii) and registered books of accounts. After the evaluation, STF shall prepare a list of taxpayers who shall be recommended for the issuance of a Letter of Authority (LOA) by the RDO, the LTD/LTAD, the Regional Investigation Division (RID) or the National Investigation Division (NID), as the case may be, having jurisdiction over the taxpayer following the existing policies and procedures in the conduct of audit.

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[1] Financial Technology or Fintech refers to a software, a service, or a business that provides technologically advanced ways to make financial processes and transactions more efficient compared to traditional methods, such as Payment Centers, Payment Gateways, Remittance Centers, Digital Wallet Companies, Alternative Credit Scoring Companies, Aggregator/Comparison Companies, Online Lending Companies, Peer to Peer Lending Companies, AI/Big Data Companies, Insur Tech Companies, KYC/Security Companies, Neobanks/Digital Banks, Digital Asset Exchanges, Play-to-Earn Platforms, E-Commerce Companies, Crowdfunding Platforms, Other Investment Marketplace, RegTech Companies and SupTech Companies.

[2] Revenue Memorandum Order (RMO) No. 21-2000, as amended by RMO No. 29-2002.

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2.2 For unregistered taxpayers, the STF shall notify them to register and pay voluntarily any unpaid taxes due on past transactions. If the notified taxpayers do not register and pay their tax obligations within the time prescribed in the notice, the STF shall endorse the case to the concerned RID or NID for the conduct of preliminary investigation, which may warrant the issuance of LOA for the filing of a Run After Tax Evaders (RATE) case and/or for other tax enforcement actions.

3. Submit a Monthly Accomplishment Report (MAR) with their respective Regional Directors (RDs) and the Assistant Commissioner (ACIR)-LTS, on or before the 5th day of the following month, in accordance with the templates attached hereto as Annexes "A" and "B".

III. Verification and Issuance of Letter of Authority (LOA)

Voluntary declarations made by the subject taxpayers shall be verified through the exchange of information (EOI) mechanism under the valid and effective tax treaties, if applicable. In case discrepancies or inconsistencies are found, the STF shall recommend to the concerned RDO, the LTD/LTAD, the RID, or the NID, as the case may be, the issuance of LOAs against the subject taxpayers.

After obtaining a LOA, the STF shall initiate a request for information from a treaty partner through the EOI Unit of the International Tax Affairs Division (ITAD) to verify the truthfulness of such information. Such request shall be in accordance with the format prescribed by Revenue Memorandum Order (RMO) No. 26-2020[3] and shall be addressed to the Office of the Commissioner, coursed through the Office of the Assistant Commissioner for Legal Service (ACIR-LS), and marked for the attention of the Chief of ITAD.[4] Concerned RDOs, LTD/LTAD, RID or NID, which shall investigate the taxpayers recommended by the STF can likewise request for information from ITAD, if necessary, following the same procedures prescribed under existing policy.

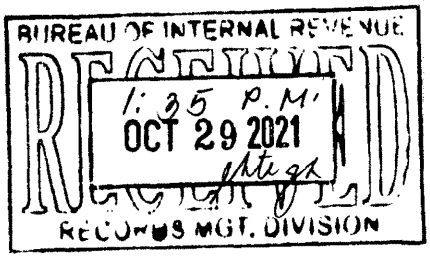
IV. Reporting Requirement

The ACIR-LTS and all the Regional Directors shall transmit the MAR submitted by the STF to the Office of the Commissioner, Attention: Deputy Commissioner for Operations, on or before the 10th day of the following month, copy furnished the ACIRs for Assessment Service (AS) and Legal Service (LS). Soft copies thereof shall likewise be sent to their official email addresses for ease of reference and for consolidation.

The ACIR-LS shall provide the ACIR-AS and ACIR-LTS a copy of any information obtained from a treaty partner for the proper monitoring of disposition and utility of information given to the RDOs/LTDs/LTADs.

The ACIR-AS and ACIR-LTS, on the other hand, shall provide the ACIR-LS information on all LOAs issued to the subject taxpayers for evaluation and determination whether additional information should be requested by the ITAD from a treaty partner.

[3] Model Template 14.
[4] Chapter 1(1.2), page 9.



The investigating office (RDO/LTD/LTAD/RID/NID or STF) shall also provide the EOI Unit of ITAD an update or feedback on the usefulness of the information provided by the treaty partner by accomplishing the "*Feedback Form from RDO or Other Concerned Offices*"[5] prescribed by RMO No. 26-2020. Such feedback shall be submitted within ten (10) days from the termination of the audit.

V. Sanction for Non-Compliance

Non-compliance with the directives contained herein shall subject the concerned revenue personnel to administrative sanctions pursuant to existing laws, rules, and revenue issuances.

VI. Effectivity

This Order shall take effect immediately.

CAESAR R. DULAY
Commissioner of Internal Revenue

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[5] Model Template No. 8.