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PHILIPPINES

VAT on Digital Services (Republic Act No. 12023)

About Republic Act No. 12023

Digital platforms are now part of daily life, from streaming shows to online ads, e-books, and cloud apps. To keep pace, the Philippines enacted Republic Act No. 12023, the VAT on Digital Services Law. The Bureau of Internal Revenue (BIR) issued Revenue Regulation No. 3-2025 to implement the law, which takes effect on 2 June, 2025, following the 120-day period after its IRR became effective.

Services Covered

- Streaming platforms and digital goods like apps and e-books.
- Online media and advertising and online search engine.
- Cloud services and Saas subscriptions.
- Online marketplaces and E-commerce platforms.

Exemptions

Educational Services:

- Online courses, seminars, trainings rendered by private educational institutions, duly accredited by CHED, DepEd, TESDA, and those rendered by government educational institutions.

Bank Related Services:

- Services of bank, non-bank financial intermediaries performing quasi-banking, and other non-bank intermediaries that are rendered through different digital platforms.

Who Pays and Who Collects

Local Sellers

- Follows the regular VAT rules.
- If sales exceed P3million a year, register, charge 12% VAT and remit.

Marketplaces

- Online marketplaces and e-commerce platforms must collect VAT on behalf of their sellers and remit the same.

Non-Resident DSP

- Non-resident digital service provider (DSP) like Netflix, Facebook, etc., must register with the BIR, chargeVAT to Philippines users, and file VAT returns directly to the BIR.

Transactions

B2C

BUSINESS TO CONSUMER

Non-resident DSP

CHARGES AND COLLECTS 12% VAT FROM CONSUMERS

Remits 12% VAT to the BIR

B2B

BUSINESS TO BUSINESS

Non-resident DSP

REVERSE VAT CHARGE APPLIES

PH VAT registered businesses withhold and remit 12% VAT to the BIR on behalf of Non-resident DSP

Other Salient Provisions

Particulars	**Provisions**
Invoicing and Compliance	Resident DSPs must issue digital invoices showing transaction details, VAT amount, and whether parts are taxable or exempt. For non-resident DSP, no need for BIR pre-registration as long as they contain the required information (date, transaction reference number, identification of buyer including TIN, brief description of the transaction, and total amount with indication that the same includes VAT).
Accounting Requirements	Accounting records required to be maintained except for registered non-resident DSP.
Failure to Comply	Failure to register or remit VAT can mean penalties, fines, and suspension of operations on non-compliant DSPs.

Why This Matters?

For consumers, expect subscription fees and digital services to cost a bit more due to the 12% VAT. For local businesses, this levels the playing field with foreign giants. For the government, it means more revenue.

In short, RA No. 12023 modernizes the tax system to match today's digital economy. If you're a business using digital tools or a provider offering them, now's the time to check your compliance game.

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INDIA

India's GST Rate Reductions (Sept 2025): What Changed, Why it Matters and What to Watch.

India has launched a major Goods & Services Tax (GST) simplification effective **22 September 2025**: the previous four slab system is being rationalized to a **two rate structure—5% (merit) and 18% (standard, with a 40% rate** reserved for specified luxury/sin goods.

Where Rates Fell

India paired structural simplification with targeted cuts aimed at households, healthcare, agriculture, MSMEs, construction, and select mobility:

- **Healthcare & Medicines:**
  33 lifesaving drugs moved to **NIL**, three more to **NIL** from 5%, most other medicines cut from **12% → 5%**, and a wide set of **medical devices** moved **18%/12% → 5%**. **Individual life and health insurance premiums are also exempt.**
- **Consumer Staples & FMCG:**
  Many "daily use" items (e.g., shampoos, soaps, toothpaste, hair oil, kitchenware, tableware, bicycles) moved **12%/18% → 5%**. Certain packaged foods and beverages (sauces, pasta, noodles, chocolates, coffee, cornflakes, butter, ghee) saw significant reductions, with several Indian staples now at **NIL**.
- **Agriculture & Rural Economy:**
  Tractors and core agro machinery moved **12% → 5%**, cutting capex/operating costs for farmers; key industrial inputs for fertilizers (sulphuric/nitric acid, ammonia) moved **18% → 5%** to address inverted duties.
- **MSMEs & Labour-intensive Sectors:**
  Handicrafts, marble/granite blocks, and intermediate leather goods dropped **12% → 5%**—a relief for exporters and domestic artisans.
- **Construction & Infrastructure:**
  Cement moved **28% → 18%**, lowering project costs and helping housing & infrastructure.
- **Mobility & Auto Value Chain**:
  Small cars and motorcycles **≤350cc** moved **28% → 18%; all auto parts** align at **18%**; buses/trucks/ambulances shift to 18%.
- **Textiles & Renewables:**
  Man made fibre 18% → 5%, man made yarn 12% → 5% (correcting long-standing inverted duty), and renewable-energy devices **12% → 5%.**

Notably excluded (for now). Tobacco, pan masala and other specified sin goods remain at existing rates.

Implementation Timeline & Mechanics

- **Effective date: 22 September 2025** for services and most goods.
- **Structural map**: The target end-state eliminates the 12% and 28% slabs, migrating items into 5% or 18%, with a distinct 40% for de-merit goods simplifying compliance and pricing communication.

Why India Did This

1. **Boost Disposable Incomes & Consumption**. Reductions on daily use items, health insurance, medicines, and mobility are designed to support mass market demand visible already in early festive-season sales commentary.
2. **Lower Production Costs & Fix "Inverted Duty" Pain Points.** Textile and fertilizer corrections reduce working capital lock ups and refund frictions for manufacturers.
3. **Simplify Compliance & Improve Tax Certainty.** Two principal slabs cut classification disputes and ERP complexity.
4. **Inclusive Growth Focus**. Relief is concentrated where elasticity is high (healthcare, staples, MSMEs, agriculture), aiming at broad-based welfare and competitiveness.

Expected Impact

- **Macro:** Short term **headline inflation** may ease (direct price cuts on frequently purchased goods), supporting **real consumption**. Medium term, higher formal sector sales and efficiency gains may **broaden the GST base**, partially offsetting rate cut revenue effects.
- **Sectoral Winners:**
  - **Healthcare (pharma, devices, insurers):** lower out of pocket costs expand coverage and treatment volumes.
  - **FMCG/retail & e-commerce**: simpler rates + cheaper staples aid volume growth.
  - **Autos & logistics:** reduced rates for small vehicles and uniform 18% on parts lower TCO; early retail data during the festival period signal robust traction.
  - **Construction/materials:** cement cut to 18% should compress project costs and support housing demand.
  - **Textiles/renewables:** removal of inversion improves cash flows and export competitiveness.

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