



## Tax in a Dot

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Prepared by Deloitte Philippines' tax professionals, this newsletter summarizes the latest Philippine tax regulations and other updates.

#### **TAX-2022-012**

## Taxation of income received by social media influencers

The Bureau of Internal Revenue (BIR) reminded social media influencers of their tax obligations in the Philippines.

Social media influencers include all taxpayers, individuals or corporations, receiving income, in cash or in kind, from any social media site or platform (e.g., YouTube, Facebook, Instagram, Twitter, TikTok, Reddit, Snapchat, etc.) in exchange for services performed as bloggers, video bloggers (vloggers), or as an influencer, in general, and from any other activities performed on such social media sites and platforms.

The following are the tax obligations of social media influencers.

### **1. Income Tax**

Income received by the influencer in consideration of the services rendered or to be rendered shall constitute gains/profits from the conduct of trade or business, irrespective of the manner or form of payment, except for certain passive income, capital gains from sale of

unlisted shares, and sale of real property classified as capital assets. For example, if the influencer receives free products in exchange for the promotion thereof on their YouTube channel or other social media accounts, the influencer must declare the fair market value of such products as income. Note, however, that resident citizens and domestic corporations are taxed on worldwide income whereas those considered non-resident citizen/alien and resident foreign corporations shall be taxable only on income derived from sources within the Philippines.

Further, income treated as royalties in another country, including payments under the YouTube Partner Program, shall likewise be included in the computation of the gross income of the social media influencer and shall be subjected to the schedular or corporate tax rates.

For resident aliens, any income derived from Philippine-based content shall generally be taxable. Thus, the burden of proof that the income was derived from sources outside the Philippines lies upon the resident alien. Absent such proof, the income will be assumed as derived from sources within the Philippines.

Self-employed individuals whose gross sales or gross receipts and other non-operating income do not exceed the value-added tax (VAT) threshold of P3 million shall have the option to avail of the 8% tax on gross sales or gross receipts and other non-operating income in excess of P250,000 in lieu of the graduated income tax rates of 0%-35% and percentage tax under Section 116 of the National Internal Revenue Code of 1997, as amended (Tax Code).

## **2. Business Tax**

Social media influencers are also liable for business tax, which may either be percentage or VAT. Those exceeding the P3 million threshold shall be required to register with VAT. Otherwise, the influencer shall be subject to 1%/3% percentage tax.

## **3. Allowable deductions**

All the ordinary and necessary expenses paid or incurred during the taxable year in carrying on, or which are directly attributable to, the development, management, operation and/or conduct of the trade, business or exercise of a profession, as enumerated in Section 34(A) to (I) of the Tax Code, shall be allowed as deduction from gross income provided that they are directly and exclusively related to the production or realization of the income and can be substantiated with sufficient evidence, such as BIR-registered receipts and invoices.

In lieu of the itemized deductions where substantiation is not required, the taxpayer may elect Optional Standard Deduction (OSD) not exceeding 40% of gross sales/receipts in the case of individual taxpayers or 40% of its gross income in the case of corporations. To be entitled to OSD, however, the taxpayer must signify in the tax return the intention to elect OSD; otherwise, they shall be considered as having availed of the itemized deductions.

## **4. Tax Compliance**

### *a. Registration and updates*

Pursuant to Revenue Regulations (RR) No. 7-2012, unregistered taxpayers may secure their Taxpayer Identification Number (TIN) from the Revenue District Office (RDO) having jurisdiction over the place where the head office is located or over the place of residence. On the other hand, registered influencers must ensure that their registration reflects their existing line of business.

b. *Books of accounts*

Taxpayer are required to keep books of accounts duly registered with the BIR, which shall contain all transactions and results of operations. In addition, the taxpayers whose gross annual sales, earnings, receipts, or output exceed P3 million shall have their books of accounts audited and examined yearly by independent Certified Public Accountants and their income tax returns accompanied by a duly accomplished Account Information Form (AIF).

c. *Filing of tax return and payment of taxes*

Every taxpayer who is engaged in trade or business is liable for income and business taxes (percentage or VAT) unless exempted under the Tax Code. The social media influencers should always refer to the Certificate of Registration (COR) duly issued by the appropriate RDO for the tax returns that must be filed and the deadline for payment of taxes.

d. *Obligation to withhold*

Influencers shall withhold the required creditable/expanded withholding tax, final tax on compensation of employees, and other withholding taxes, if applicable. They are obliged to remit the same to the BIR at the time or times required, and issue to the concerned payees the necessary Certificates of Tax Withheld.

e. *Liabilities for failure to file returns and pay taxes*

Influencers who willfully attempt to evade the payment of tax or willfully fail to make a return, to supply accurate and correct information or to pay tax shall, in addition to the payment of taxes and corresponding penalties, be liable criminally under Sections 254 and 255, in relation to Section 248(B) of the Tax Code.

## 5. **Avoidance of double taxation**

A social media influencer receiving income from a nonresident person residing in a country with which the Philippines has a tax treaty must inform the latter that they are a resident of the Philippines, and are, therefore, entitled to claim treaty benefits provided under the relevant tax treaty. Where the nonresident requires the presentation of proof of residency, the influencer must obtain a Tax Residency Certificate (TRC) from the International Tax Affairs Division (ITAD) of the BIR following the procedures in Revenue Memorandum Order (RMO) No. 43-2020, and submit the same to the ITAD.

## 6. **Effect of taxes withheld in foreign countries**

Income taxes paid to or incurred in a foreign country may either be claimed as an item of deduction or as a tax credit subject to limitations provided under Section 34(C) of the Tax Code. Note that an alien

individual and a foreign corporation shall not be allowed to claim foreign tax credits.

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*Please refer to the attached Revenue Memorandum Circular (RMC) No. 97-2021 for the complete details.*

## Contact us

Should you have any comments or questions arising from this newsletter, please contact either the listed contacts below, or any member of the [Philippines Tax & Legal team](#).

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