



Value Added Tax : The Philippine Experience

Department of Finance

September 24-25, 2025

Tokyo, Japan

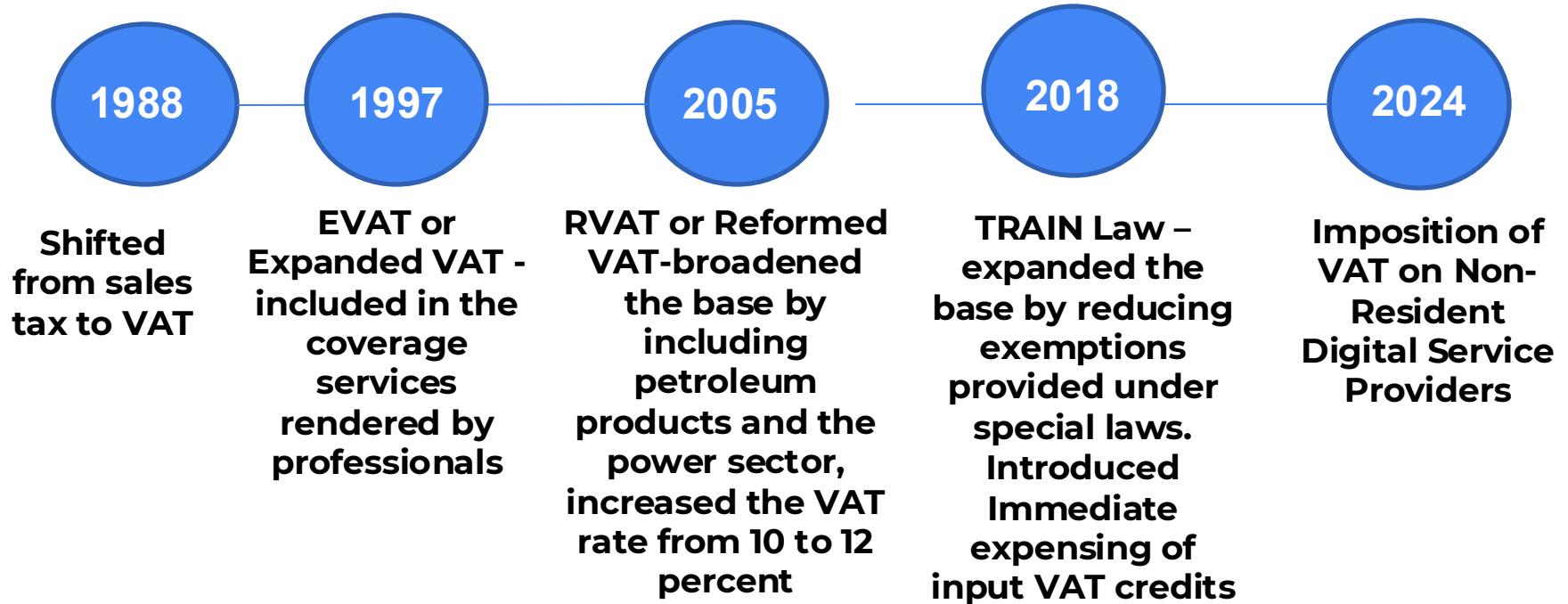


OUTLINE

- I. History of Value Added Tax (VAT) in the Philippines**
- II. VAT Revenue and VAT efficiency ratios**
- III. Current challenges**
- IV. Recent reforms**

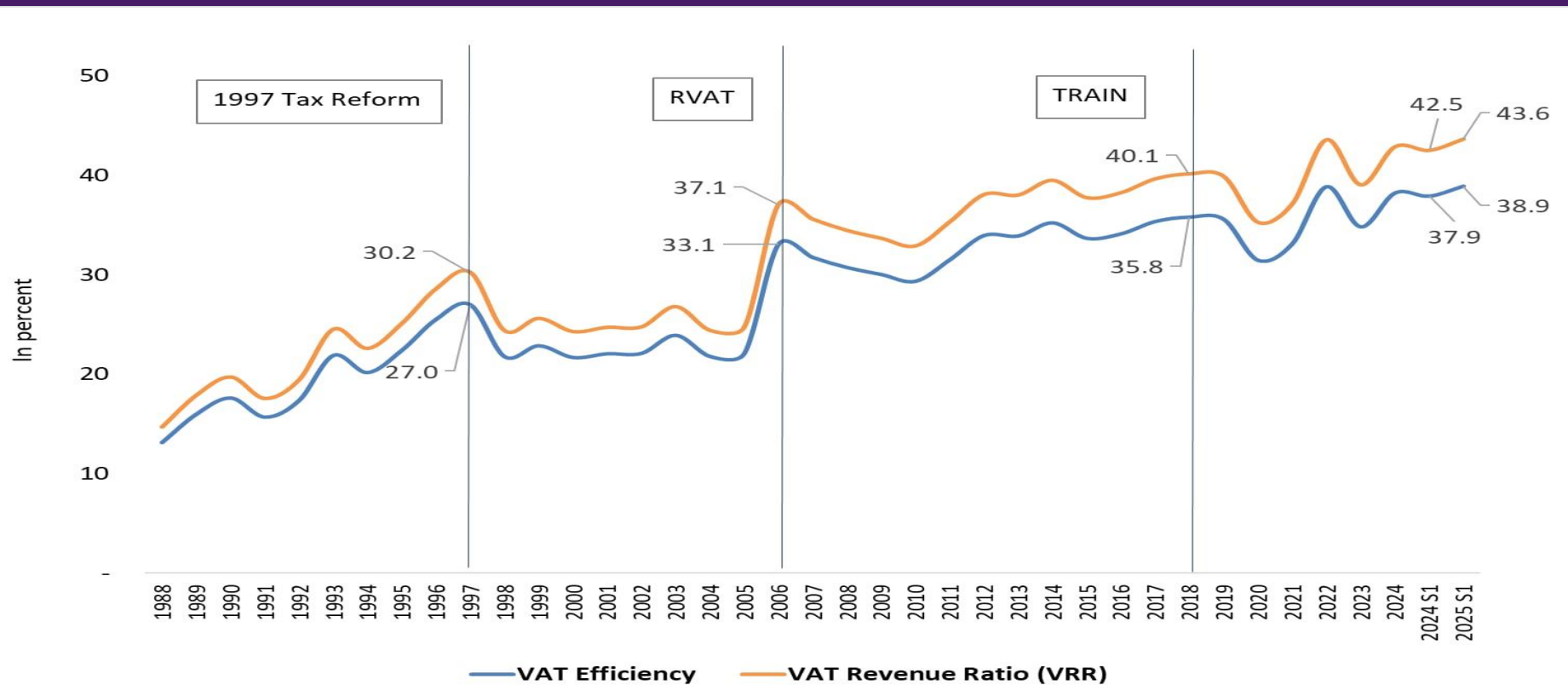
I. History of VAT in the Philippines

VAT reforms in the Philippines at a glance.



II. VAT revenue and VAT efficiency ratios

VAT revenue and VAT efficiency ratios are improving since the introduction of VAT in 1988.



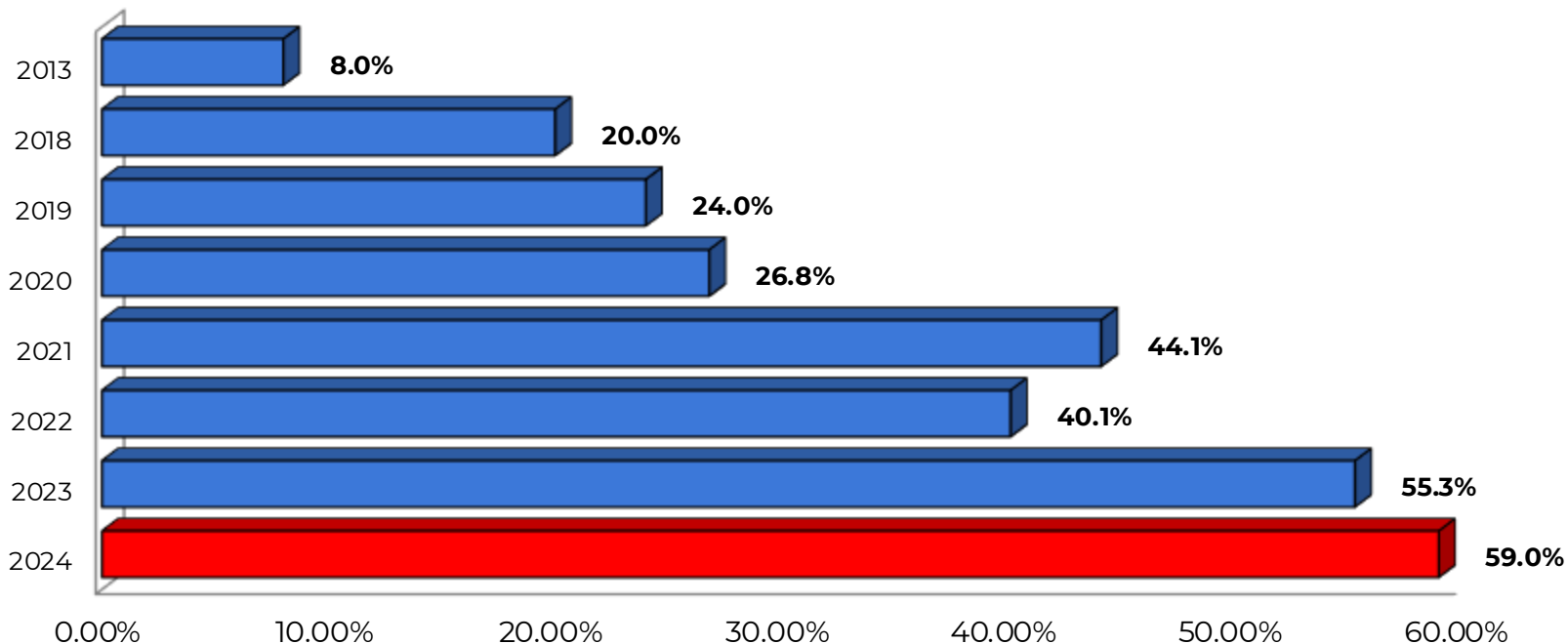
III. Current challenges

Current challenges of the Philippine VAT system

- ❑ **How to capture increasing transactions in the digital economy.**

The share of digital to total retail payments more than doubled since 2020.

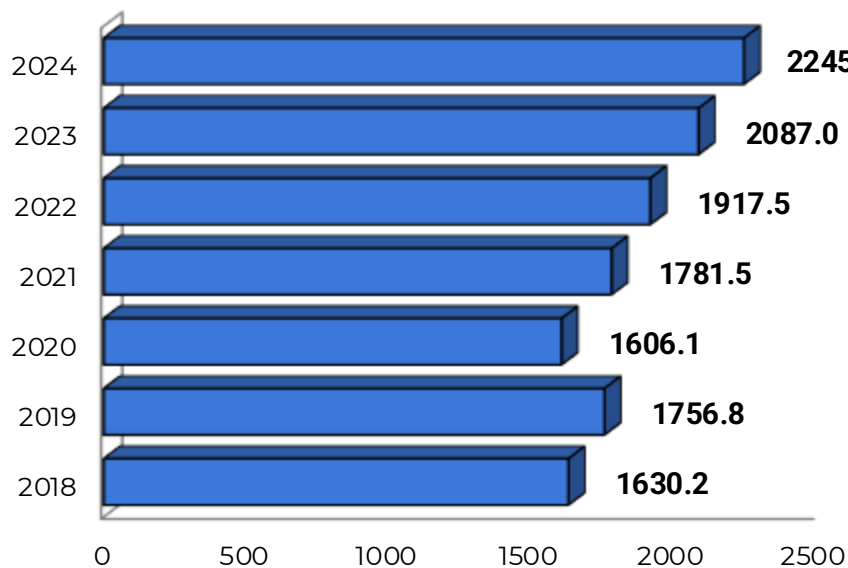
Share of Digital Economy to Total Retail Payments



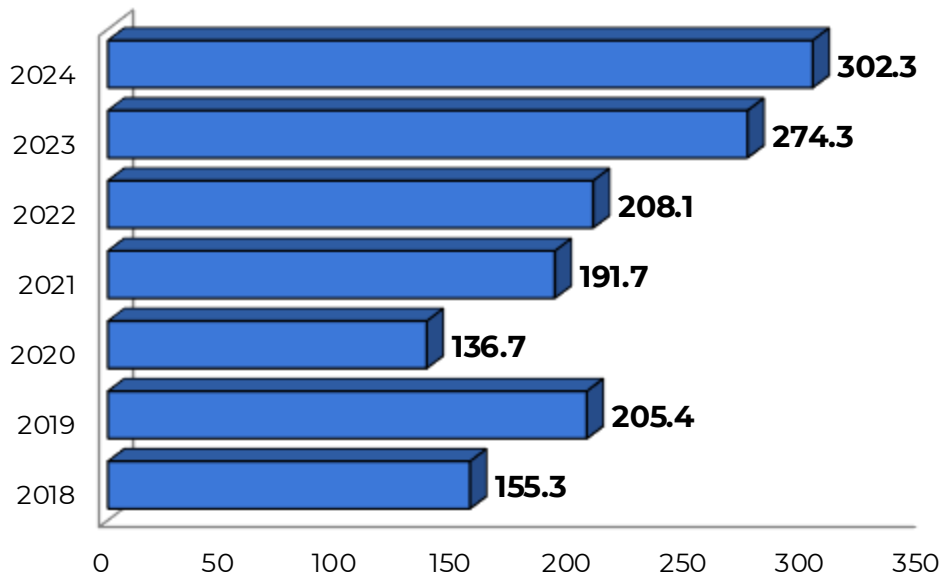
Source: Report on E-payments Measurement, Bangko Sentral ng Pilipinas

Similarly, GVA of digital economy including e-commerce increased substantially since 2020.

**Gross value added of Digital Economy
at Current Prices
2018 to 2024 (in PHP billion)**



**Gross value added of E-commerce
at Current Prices
2018 to 2024 (in PHP billion)**



Source: Philippine Statistics Authority

Current challenges of the Philippine VAT system

- ❑ **How to minimize or eliminate leakages in the implementation of VAT exemptions.**

VAT exemption of certain sectors has resulted in large revenue losses due to tax leakages.



Republic of the Philippines

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Gov't pilots Unified PWD ID System to curb fakes, boost accessibility

By Marita Moaje

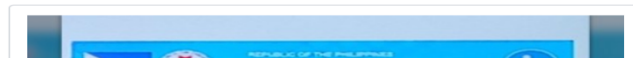
June 23, 2025, 7:49 pm

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MANILA – The government is rolling out starting next month the Unified Persons with Disabilities (PWD) ID System in 35 towns and cities across the country.



Lost tax revenues due to fake PWD IDs

Relova said that in 2023 alone, the Bureau of Internal Revenue (BIR) estimated a PHP88.2-billion loss in potential tax revenues due to fake PWD IDs.

The new system is designed to plug these leaks by ensuring only verified individuals can receive disability-related benefits and discounts.

She said there would be a central database that would be connected with the National ID and the e-verifier.

Current challenges of the Philippine VAT system

- ❑ **Several bills pending in both the House of Representatives and the Senate seek to expand VAT exemptions and reduce the rate from 12 percent to 10 percent.**

Most pending VAT-related bills propose for expansion of VAT exemptions and even rate reduction.

GMA NEWS ONLINE
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House bill filed seeking return of VAT rate to 10%

By LLANESCA T. PANTI, GMA Integrated News

Published September 3, 2025 5:41pm



Photo by: Jessica Bartolome/GMA Integrated News

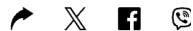
A reduction of the value-added tax (VAT) on goods and services to 10% from the previous rate of 12% has been proposed in the House of Representatives to ease inflation or the rate of increase on commodity prices.

Philippines | National

Senate bill seeks VAT exemption for electricity, internet

By Dhel Nazario

Published Jan 31, 2025 03:54 am



Senator Francis Tolentino has filed a bill seeking to exempt electricity and internet services from the 12 percent value-added tax (VAT).

In filing Senate Bill 2970 on Thursday, Jan. 30, Tolentino noted that electricity costs in the Philippines are among the highest in the region — a situation that may stifle economic growth and even cause deindustrialization.

On the other hand, he said exempting internet services from VAT will help promote digital inclusion, ensuring that all Filipinos can participate in the digital economy.

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IV. Recent reforms

Recent VAT policy and tax administration reforms in the Philippines

- **VAT on Non-Resident Digital Service Providers**
 - Important step in the modernization of VAT law
- **E-Receipts scheduled to be fully implemented in 2026**
 - The TRAIN law and CREATE MORE law mandates that businesses issue electronic invoice instead of manual invoice.
- **Ease of Paying Taxes Law**
 - Recognition of sales of goods and services – accrual basis
 - Adjustment of the VAT threshold every three years
 - Provided for measures to address problems in the VAT refund system
- **VAT refund for tourists**
 - Adheres to the destination principle of VAT
- **Revenue regulation requiring e-market operators and digital financial service providers to withhold tax on gross remittance to sellers**

Ongoing technical assistance with the IMF to improve efficiency and compliance

- **TADAT**
 - An important tool to improve compliance and tax administration
- **VAT recasting and modernization**
 - Redrafting of the VAT law
 - Filling the existing inadequacies of the current VAT law such as the place of supply rules
 - Incorporate all the VAT related laws into one VAT law.



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