



March 12, 2024

Dear Valued GCash Merchant,

Starting 15 April 2024, the BIR requires digital financial services providers (“DFSPs”) such as GCash to withhold taxes on “gross remittances” of Merchants received through the GCash platform. This is pursuant to recently issued Revenue Regulations No. 16-2023 and Revenue Memorandum Circular No. 8-2024 (“RR” and “RMC”).

Coverage

- “Gross remittances” as defined in the RR refers to the total amount received by e-marketplace operators and DFSPs (i.e., GCash) for the goods and/or services sold by or paid to the Merchant through the platform/facility of the e-marketplace operator or DFSP.
- The withholding tax (“EWT”) rate is 1% multiplied to one-half of the gross remittances.
- This EWT on gross remittances is **in addition to existing taxes** that GCash is required to withhold from Merchants, pursuant to Tax Code and other applicable tax rules.

We present sample computations in **Annex A** of this Memo.

In general, the gross remittances of all Merchants selling goods and/or services through the online platform/facility are subject to the tax. Merchants who are exempt from the EWT prescribed in the new RR and RMC are as follows:

[A] Merchants with annual gross remittances that will not exceed 500k AND submitted a BIR-stamped Sworn Declaration of Gross Remittances stating such fact. (Note: For these merchants, once the 500k threshold is breached, any gross remittance in excess of such threshold will be subjected to the EWT on gross remittances.) *OR*

[B] Merchants with Income Tax exemptions or are subject to a lower Income Tax rate *OR*

[C] Foreign merchants

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Full text of the RR and RMC are provided here: [RR No. 16-2023](#) | [RMC No. 8-2024](#)

What to expect from GCash

- GCash will withhold taxes of 1% multiplied to one-half of the total “gross remittances” of all Merchants who do not meet any criteria for exemption. For covered Merchants, settlements from GCash will be net of the EWT withheld by GCash and remitted to the BIR. The EWT will not affect the customers.
- GCash will provide to the Merchant BIR Form No. 2307s as proof of withholding and remittance of the prescribed EWT. GCash will provide these Forms pursuant to existing rules of the BIR. The Merchant may use the BIR Form No. 2307 as tax credit to reduce the Merchant’s Income Tax liability, subject to the rules of the Tax Code.

What is needed from the Merchant

To facilitate proper computation and withholding of the tax, the BIR emphasized that **Merchants are not allowed to receive payments through their individual/personal accounts**. All payments/remittances/transfers covered by the RR shall be under the BIR-registered trade name of the Merchant.

In addition, Merchants are required to submit the following documents and information to GCash, where applicable, on or before **25 March 2024**. We explain the process through which Merchants can submit these to GCash in **Annex B** of this Memo.

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Sworn Declaration of Gross Remittances</p> <ul style="list-style-type: none"> • Link to the format of the Sworn Declaration | <p>On an annual basis, Merchants are required to certify in their BIR-stamped received “Sworn Declaration of Gross Remittances” whether they will exceed the 500k threshold. Merchants especially those who assert their exemption are required to submit these. Merchants may need to resubmit a revised BIR-stamped received Sworn Declaration in the event they breach the threshold.</p> |
| <p>Certification of Exemption from Withholding Tax</p> | <p>Merchants that are exempt from Income Tax or are subject to a lower tax rate, are required to submit their valid and subsisting Certification of Exemption. Depending on the basis of the exemption/lower rate and the date of validity of the Certification provided, Merchants may need to submit the Certification on a periodic basis.</p> |
| <p>BIR Form No. 2303 and TIN (BIR Certificate of Registration; Tax Identification Number)</p> | <p>All Merchants shall ensure that their business is registered with the BIR.</p> |

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Should you have any further concerns or questions regarding this, kindly reach out to your designated Account Manager.

ANNEX A – Sample computation of the tax

As mentioned above, “gross remittances” refers to the total amount received by GCash for the goods and/or services paid to the Merchant through GCash platform. The BIR excludes the following from the computation of such gross remittances: Value-Added Tax (“VAT”), platform fees, sales returns and discounts, and separately billed delivery/shipping fees.

Sample 1 VAT-registered Merchant submitted to GCash the Sworn Declaration showing that its gross sales **will not exceed** the 500k threshold. Actual gross sales of the Merchant through GCash is at Php 900,000.

| | |
|----------------------------------------------------------------------|-----------------|
| Excess over the threshold (Php 900,000 less 500,000) - VAT inclusive | 400,000.00 |
| Less: Exclusions | |
| VAT | - 42,857.14 |
| MDR (platform fee; 0.5% of gross sales) | - 2,000.00 |
| Other Adjustments | - |
| Gross remittances | 355,142.86 |
| One-half of gross remittances | 177,571.43 |
| Multiply by: EWT rate | 1% |
| EWT to be withheld | 1,775.71 |

Note: GCash computed and withheld EWT even with the Sworn Declaration because the gross sales of the Merchant exceeded the 500k threshold. Merchant is expected to submit to GCash the revised BIR-stamped received Sworn Declaration showing that it will exceed the threshold for the year.

Sample 2 VAT-exempt Merchant **did not** submit the Sworn Declaration to GCash. Actual gross sales of the Merchant through GCash is at Php 400,000.

| | |
|-------------------------------|-----------------|
| Gross sales for the year | 400,000.00 |
| Less: Exclusions | |
| VAT | - |
| MDR (0.5% of gross sales) | - 2,000.00 |
| Other Adjustments | - |
| Gross remittances | 398,000.00 |
| One-half of gross remittances | 199,000.00 |
| Multiply by: EWT rate | 1% |
| EWT to be withheld | 1,990.00 |

Note: GCash computed and withheld EWT although the Merchant did not meet the 500k threshold, because the Merchant did not submit a Sworn Declaration.

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ANNEX B – Guidelines on submission of required documents

To further orient you on the new regulations, the following are guidelines for compliance:

1. How will I submit the required documents to GCash?

Covered merchants may submit the documents through this [Google Form](#). We ensure that the documents submitted will be kept confidential and in a secure repository.

2. Am I able to re-submit documents in case of incorrect submission?

Yes, you will be able to submit another Google Form entry. Additionally, any documents deemed invalid by the GCash service management team will be brought to attention and will garner a request of resubmission from the merchant.

3. How do I know which documents I have to submit?

In reference to the first Trade Letter, if you are a merchant that is exempt from Income Tax or are subject to a lower tax rate, you are required to submit a valid and subsisting [Certification of Exemption](#). Otherwise, you are required to submit a [Sworn Declaration of Gross Remittances](#) duly received by the BIR.

4. When is the deadline of document submissions to GCash?

March 25, 2024.

5. How do I register my business with the BIR?

The merchant may register via the [New Business Registration \(NewBizReg\) Portal](#) of the BIR.

6. I have already registered my business with the BIR and previously submitted to GCash a Certificate of Registration. Do I have to resubmit this?

Yes.

Please see below additional BIR-provided resources to further help Merchants with the registration process via NewBizReg:






1. [Instructional video](#)
2. [Step-by-step procedures](#)

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Sincerely,

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