REVENUE MEMORANDUM CIRCULAR NO. 25-2022 issued on March 11, 2022 clarifies the taxability of Electronic Sabong (e-Sabong) operations as regulated by the Philippine Amusement and Gaming Corporation (PAGCOR).

The different types of income earned/generated from e-Sabong operation are classified in the Circular. The e-Sabong entities shall observe and comply with the following:

a. Register the business at the Revenue District Office (RDO) having jurisdiction over the principal place of business/head office (or residence in case of individuals), taking into consideration the provisions under Revenue Memorandum Circular No. 57-2020 prescribing the updated policy and checklist of documentary requirements of business registration, and pay the registration fee to any Authorized Agent Bank (AAB) located within the RDO.

   A BIR Certificate of Registration (CoR) shall be issued by the RDO, reflecting the tax types required of the concerned taxpayer for filing and payment, which shall be displayed conspicuously in the business establishment.

b. File applicable tax returns on or before the due dates; pay correct internal revenue taxes; and submit information returns and other appropriate tax compliance reports in accordance with existing rules and regulations.

c. Keep books of accounts and other business/accounting records within the time prescribed by applicable laws, and such shall be made available anytime for inspection and verification by authorized Revenue Officer/s for the purpose of ascertaining compliance with existing tax rules and regulations.

d. 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 Certificate of Tax Withheld.

The BIR shall have the authority to inspect totalizators and other betting devices used in the collection, consolidation and recording of wagers made in online or remote/offsite betting activities on locally licensed games.

The Gaming Income from e-Sabong Operation by an e-Sabong Operator, shall be subject to a five percent (5%) Franchise Tax, which shall be in lieu of all internal revenue taxes except Value-Added Tax (VAT) or Percentage Tax, depending on the threshold. In the event that the e-Sabong operator has contracted with PAGCOR for the provision of goods and services in connection with PAGCOR's gaming operations, then, such provision of goods and services to PAGCOR is subject to VAT at zero-rate. The Franchise Tax shall be remitted by the e-Sabong Operator directly to the BIR.

The five percent (5%) Franchise Tax due from the e-Sabong Operator shall be separate and distinct from the five percent (5%) Franchise Tax due from PAGCOR arising from the licensing and regulatory fees that PAGCOR receives from the e-Sabong Operator.

The Service Income and other Income from e-Sabong by an e-Sabong Operator, or the income or earnings realized by the e-Sabong Operator from all other activities whose authorization does not derive from the e-Sabong license issued by PAGCOR shall be subject to regular Income Tax, VAT or Percentage Tax depending on the threshold, Withholding Tax and other taxes, as may be deemed appropriate. The 5% Franchise Tax in lieu of all internal revenue taxes shall not apply.

Commission Income received by a Third-Party e-Sabong Master Agent/Agent/Promoter/Coordinator shall be subject to regular Income Tax, VAT or Percentage Tax depending on the threshold, Withholding Tax and other taxes, as may be deemed appropriate. The e-Sabong Operator shall withhold and remit the corresponding Creditable

Withholding Taxes (5%/ 10% for individual payees and 10%/ 15% for non-individual payees) due for the account of the Master Agent/Agent/Promoter/Coordinator.

Income received by the Cockpit Owner/Operator for the use of the cockpit arenas/venues from the e-Sabong Operator shall be subject to regular Income Tax, VAT or Percentage Tax, depending on the threshold, Withholding Tax and other taxes, as may be deemed appropriate. The e-Sabong Operator shall withhold and remit the corresponding 5% Creditable Withholding Taxes due for the account of the Cockpit Owner/Operator.

Income received by a Third Party Off-Cockpit Betting Station (OCBS) Host from the OCBS and Third-Party Game Cock Owner from the e-Sabong Operator in relation to the e-Sabong operation shall be subject to regular Income Tax, VAT or Percentage Tax, depending on the threshold, Withholding Tax and other taxes, as may be deemed appropriate. The e-Sabong Operator shall withhold and remit the corresponding 2% Creditable Withholding Taxes due for the account of the Third-Party OCBS Host/Game Cock Owner.

Other income derived or received by any person/s or entity/ies in relation to the operation/s of e-Sabong not included in the above-mentioned enumeration shall be subject to appropriate taxes, including but not limited to Final Withholding Taxes and the like, under the National Internal Revenue Code of 1997, as amended.

In addition to the penalties and sanctions imposed by the appropriate regulatory government agencies, the income derived by unauthorized e-Sabong Operators and the entities providing ancillary services to its unauthorized e-Sabong operations shall not be covered under the fiscal regime as provided for in the PAGCOR charter but rather subject to appropriate taxes and penalties as provided under the National Internal Revenue Code of 1997, as amended.