

ADVISORY ON TAXATION OF PAGCOR, ITS LICENSEES AND CONTRACTEES

PAGE NOS.

BIR REVENUE MEMORANDUM CIRCULAR NO. 32-2022 Clarifying the Tax Treatment of the Philippine Amusement and Gaming Corporation, its Licensees, and Contractees	4
---	---

20/F Chatham House
Valero cor. Rufino Sts.



Salcedo Village
Makati 1227



www.bdblawn.com.ph
info@bdblawn.com.ph



T: (632) 8403-2001
F: (632) 8403-2001 loc. 130



Copyright © 2022 by Du-Baladad and Associates (BDB Law). All rights reserved. No part of this issue covered by this copyright may be produced and/or used in any form or by any means – graphic, electronic and mechanical without the written permission of the publisher.

MEMBER FIRM OF

wts global

BUREAU OF INTERNAL REVENUE
REVENUE MEMORANDUM CIRCULAR
NO. 32-2022

ADVISORY

Clarification on Tax Treatment of PAGCOR, its Licensees, and Contractees

Subject Matter	Tax Treatment
PAGCOR	
<p>Income from its operations and licensing of gambling casinos, gaming clubs, and other similar recreation or amusement places and gaming pools</p> <p>This includes, among others:</p> <ol style="list-style-type: none"> 1. Income from casino operations; 2. Income from dollar pit operations; 3. Income from bingo operations, including all variations thereof; and 4. Income from mobile bingo operations operated by it, with agents on a commission basis. <i>Provided</i>, however, that the agent's commission income shall be subject to regular income tax, and consequently, to withholding tax under existing regulations 	<p style="text-align: center;">Five percent (5%) Franchise Tax <i>in lieu of all taxes</i></p> <p><i>(Note: There is no distinction on whether the taxes are direct or indirect)</i></p>
<p>Income from other related operations/services</p> <p>This includes, among others:</p> <ol style="list-style-type: none"> 1. Regulatory/license fees from licensed private casinos; 2. Regulatory/license fees from private bingo operations, including all variations thereof; 3. Regulatory/license fees from private internet casino gaming, internet sports, and private mobile gaming operations; 4. Regulatory/license fees from private poker operations; 5. Regulatory/license fees from private junket operations; 6. Regulatory/license fees from SM demo units; 7. Regulatory/license fees from all other electronic derivatives of brick and mortar games regulated by PAGCOR; and 8. Income from other necessary and related services, shows and entertainment. 	<p style="text-align: center;">Subject to corporate income tax, VAT, and other applicable taxes</p>

Subject Matter	Tax Treatment
PAGCOR	
Other income not connected with the foregoing operations	Subject to corporate income tax, VAT, and other applicable taxes
Payment of compensation to employees and income payments to individuals or corporations	PAGCOR is constituted as a withholding agent : <ol style="list-style-type: none"> 1. For compensation given to its employees subject to withholding tax on compensation; and 2. For payments made to individuals or corporations subject to the withholding taxes at the source
PAGCOR's Licensees, in general	
Income from gaming operations	<p style="text-align: center;">Five percent (5%) Franchise Tax <i>in lieu of corporate income tax</i></p> <p>Generally subject to VAT (unless the licensee is also a contractor in which case the sales of goods/services in connection with the gaming operations are subject to VAT at zero percent [0%])</p>
Income from other related operations/services	Subject to corporate income tax, VAT, and other applicable taxes

Subject Matter	Tax Treatment
PAGCOR's Licensees in Ecozones/Freeports	
<p>Income from gaming operations</p>	<p>Five percent (5%) Franchise Tax <i>in lieu of corporate income tax</i></p> <p>Generally subject to VAT (unless the licensee is also a contractor in which case the sales of goods/services in connection with the gaming operations are subject to VAT at zero percent [0%])</p>
<p>Income from other related operations/services which are covered by their registered activity</p>	<p>If under Five Percent (5%) Gross Income Tax - Exempt from regular corporate income tax and VAT</p> <p>If under Income Tax Holiday - Exempt from regular corporate income tax but subject to VAT</p>
<p>Income from other related operations/services which are <u>not</u> covered by their registered activity</p>	<p>Subject to corporate income tax, VAT, and other applicable taxes</p>

Subject Matter	Tax Treatment
PAGCOR's Contractees	
Income from gaming operations	<p style="text-align: center;">Five percent (5%) Franchise Tax <i>in lieu of corporate income tax</i></p> <p style="text-align: center;">Subject to VAT at zero percent (0%)</p>
Non-gaming revenues or income from other related operations/services	Subject to corporate income tax, VAT, and other applicable taxes

Remittance of the 5% Franchise Tax

- Payable directly to the BIR
- Involves the use of BIR Form 2553 with Alphanumeric Tax Code OT010
- Different and distinct from the license/regulatory fees paid by Licensees to PAGCOR

Source:
Revenue Memorandum Circular No. 32-2022