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PHILIPPINES – HOST TAX GUIDE ON SHORT-TERM ACCOMMODATIONS

As Airbnb Host providing short-term accommodation in the Philippines, there are tax obligations which you will need to be mindful of to ensure that your business operations remain tax compliant. This guide summarizes some of the relevant information on basic tax requirements in connection with renting out real estate in the Philippines, particularly on short-term lease.

Your tax compliance requirements will involve filing the appropriate tax returns and remitting the tax due on your rental income during the taxable year with the Philippine's tax regulator - the Bureau of Internal Revenue (**BIR**). Generally, the taxable year in the Philippines runs from 1 January to 31 December, *i.e.,* the calendar year, except for non-individuals which adopt a fiscal year. Through timely and proper compliance with these requirements, you can prevent incurring additional liabilities, such as interest and penalties.

Generally, leasing out real estate in the Philippines will have income tax implications, as well as value-added tax (VAT) or percentage tax implications. The applicable tax return filings and the specific taxes due will depend on the nature of your registration as a taxpayer and the amount of rental income that you generate per month and during the taxable year.

In addition to your tax obligations with the BIR, there are also annual local taxes and fees which you must take note of.

This guide is not comprehensive and does not constitute tax or legal advice; it only aims to provide an overview of the tax compliance requirements to take into account when renting out short-term accommodation on Airbnb. There may be additional consequences which apply to you depending on your specific circumstances. As such, it would be best to check official sources for more specific information and/or consult professional advisors if you are uncertain about your tax obligations.

In addition, the information contained in this material is not being updated in real time. There may be additions or modifications to the compliance requirements provided herein which may not have entered into effect at the time of writing.

INCOME TAX

Earnings derived from Philippine assets, such as rental properties located in the Philippines, are considered Philippine-sourced income subject to Philippine income tax. This attribution of the rental income as Philippine-sourced applies even if the income recipient is a Philippine citizen or a foreigner.

Specifically, income from rental payments, including those from short-term accommodations, have to be reported as part of your annual gross income for income tax purposes. There are certain allowable expenses which can be deducted from your gross income as the basis for the computation of your net income (or taxable income) subject to Philippine income tax.

The tax compliance requirements of your earnings from short-term accommodations will depend on what kind of taxpayer you are: an individual or non-individual lessor.

A. Income Tax for Individual Lessors (e.g., Sole Proprietors)

Individuals who earn income from leasing out their properties should be registered either as: (a) self-employed individuals who earn purely from their business (*i.e.,* as Airbnb Hosts), or (b) mixed income earners who also earn compensation income as employees outside their business as Airbnb Hosts. The tax consequences are generally the same, although there are slight differences in terms of tax compliance requirements, specifically on the BIR Form to be accomplished.

Generally, self-employed individuals are subject to net income tax (after applying the allowable deductions), with the following progressive income tax rates:

Annual Taxable Income	Tax Rate
Less than PhP 250,000.00	0%
PhP 250,000 – PhP 400,000	15% of the excess over PhP 250,000
PhP 400,001 – PhP 800,000	PhP 22,500 + 20% of the excess over PhP 400,000

PhP 800,001 – PhP 2,000,000	PhP 102,500 + 25% of the excess over PhP 800,000
PhP 2,000,000 – PhP 8,000,000	PhP 402,500 + 30% of the excess over PhP 2,000,000
Over PhP 8,000,000	PhP 2,202,500 + 35% of the excess over PhP 8,000,000

If you are a self-employed individual and your gross receipts and other operating income for the year does not exceed PhP 3 Million, you have an option to avail of an 8% flat tax rate on your gross receipts in excess of PhP 250,000.00, in lieu of the graduated income tax rates above. Otherwise, you can only avail of the progressive income tax rates on your net income. Availment of the 8% flat tax rate will also exempt you from payment of any Percentage Tax or VAT, which will be discussed later in this guide. If you are qualified, the option to avail the 8% tax rate should be indicated upon filing your first Quarterly Income Tax Return and Percentage Tax Return for the taxable year.

Mixed income earners are generally subject to the same tax treatment but only with respect to the portion of the income pertaining to their business (*e.g.,* rentals). However, the availment of the 8% option shall be based on gross receipts without the benefit of the deduction of the amount of PhP 250,000.00.

B. Income Tax for Non-Individual Lessors (Corporations, Partnerships, etc.)

For non-individual lessors (*e.g.,* corporations and partnerships) leasing out property, their net income (after deductions) is generally subject to the 25% regular corporate income tax ("**RCIT**"). This can be reduced to 20% if your net income does not exceed PhP 5,000,000.00 and your total assets (excluding land on which your office, plant, and equipment are situated) do not exceed PhP 100,000,000.00.

There is a minimum corporate income tax ("**MCIT**") of 2% of the gross income which should be paid if you have a zero or negative taxable income, or whenever this MCIT is higher than the computed RCIT. The excess of the MCIT over the RCIT will be carried forward and credited against your RCIT for the three immediately succeeding taxable years.

C. Deductible Expenses

For the purpose of computing your net income subject to Philippine income tax, you can deduct from your gross earnings your ordinary and necessary expenses, or the expenses directly attributable to leasing out the property. These deductible expenses include, but are not limited to, the following:

- Advertising expenses (*e.g.,* Airbnb Service Fees);
- Cleaning and maintenance services;
- Utilities (*e.g.,* water, electricity usage, Internet);
- Repairs; and
- Real property taxes on the rental property paid to the local government unit.

In order for you to claim these expenses as deductions from your gross earnings, the expenses should be duly substantiated. This means that you should keep the supporting official receipts and invoices for the expenses which you will claim as deductions.

Alternatively, an optional standard deduction of up to 40% of the gross income is generally available to you, unless you are a non-resident alien. In availing this standard deduction, you do not need to itemize and substantiate any expense.

D. Tax Filings & Payments and Deadlines

For individual lessors, a Quarterly Income Tax Return (BIR Form No. 1701Q) must be filed on or before the following due dates:

Taxable Quarter	Deadline
First Quarter	15 May
Second Quarter	15 August
Third Quarter	15 November

An Annual Income Tax Return should then be filed by the self-employed individual lessor (BIR Form No. 1701A) and by the mixed-income earner (BIR Form No. 1701) on or before **15 April** of each year covering income for the preceding taxable year.

For non-individual lessors, there is also a Quarterly Income Tax Return (BIR Form No. 1702Q) which must be filed within 60 days following the close of each of the first 3 quarters of the taxable year, whether calendar or fiscal year. Hence, if you are adopting a calendar year, the following deadlines apply:

Taxable Quarter	Deadline
First Quarter	30 May

Second Quarter	29 August
Third Quarter	29 November

There is also an Annual Income Tax Return (BIR Form No. 1702-RT) which should be filed on or before the 15th day of the 4th month following the close of the taxable year (*e.g.,* 15 April for those adopting the calendar year).

You can apply a manual tax return filing and/or payment. In such case, the tax return should be filed and the tax due should be paid with any Authorized Agent Bank ("**AAB**") within the jurisdiction of the Revenue District Office where you are registered. There are also electronic filing and payment options available, namely the BIR Electronic Filing and Payment System (**eFPS**) and the Electronic BIR Forms (**eBIRForms**). For further guidance on accessing these online filing and payment channels, please refer to the relevant pages on the BIR's website:

- **eBIRForms:** https://www.bir.gov.ph/index.php/eservices/ebirforms.html
- **eFPS**: https://efps.bir.gov.ph/

VALUE-ADDED TAX / PERCENTAGE TAX

The lease of real properties in the Philippines is considered a sale of services. As such, this may be subject to VAT or Percentage Tax, depending on whether the applicable thresholds are exceeded.

A. VAT or Percentage Tax on Lease of Residential Units

For VAT purposes, the BIR considers as a "residential unit" any apartment or house & lot used for residential purposes, as well as units in buildings which are used solely as dwelling places (*e.g.,* dormitories, rooms and bed spaces).

If in leasing out your residential unit, you generate monthly rentals not exceeding PhP 15,000.00, your rental income is exempt from both 12% VAT and 3% Percentage Tax. These exemptions will apply even if you generate annual gross receipts exceeding the VAT threshold (PhP 3 Million per year) from several units as long as each unit generates monthly rentals not exceeding PhP 15,000.00.

Meanwhile, if your monthly rentals from your residential unit exceeds PhP 15,000.00 but your gross annual receipts from this unit does not exceed PhP 3 Million, your rentals will still be VAT-exempt. Instead, your gross quarterly receipts from that unit will be subject to a 3% Percentage Tax provided you are not a VAT-registered taxpayer. Otherwise, if you are a VAT-registered taxpayer, your rental income is subject to 12% VAT.

However, if you have one unit or several units which generate monthly rentals of more than PhP 15,000.00 for each unit and your aggregate annual gross receipts from these rentals exceeds PhP 3 Million, you will already be subject to 12% VAT.

You should consider the difference between rentals which are subject to the 12% VAT and those subject to the 3% Percentage Tax as this could affect your pricing. While you can charge the 12% VAT to your tenants on top of the rentals, the 3% Percentage Tax should be shouldered exclusively by the lessor and cannot be passed to the tenants.

Further, to compute for the VAT you are required to remit to the BIR, you need to deduct your input VAT from your output VAT. Your output VAT refers to the 12% VAT you charged to your tenants, while your input VAT refers to the 12% VAT you have paid for your purchases of goods and services from other VAT-registered persons in the course of your business, which should be supported by valid official receipts and invoices. Meanwhile, computing the Percentage Tax is more straightforward since it is simply 3% of your gross receipts.

If you are subject to VAT, you are also required to issue to your tenants VAT official receipts which must be compliant with the invoicing requirements under the Tax Code.

B. Tax Filings & Payments and Deadlines

If you are registered and subject to VAT, you need to prepare and file a Quarterly VAT Return (BIR Form No. 2550Q) not later than the 25th day following the close of each taxable quarter. If you are subject to Percentage Tax, you need to prepare and file a Quarterly Percentage Tax Return (BIR Form No. 2551Q) not later than the 25th day after the end of each taxable quarter. To summarize the deadlines if you are adopting the calendar year:

Taxable Quarter	Deadline
First Quarter	25 April
Second Quarter	25 July
Third Quarter	25 October
Fourth Quarter	25 January

For manual filing and/or payment, the return should be filed and the tax due should be paid with any AAB within the jurisdiction of the Revenue District Office where you are registered. Alternatively, you may use the electronic filing and payment methods available, *i.e.,* the eFPS and the eBIRForms.

LOCAL TAXES AND FEES

Aside from the income tax and VAT / Percentage Tax which you must remit to the BIR, you should also be aware of possible annual tax obligations with your local government unit (**LGU**).

As an Airbnb Host, you may be required to obtain an annual business permit from your LGU. During the registration for this permit and in the subsequent renewal thereof at the start of the year, the LGU will assess a local business tax (**LBT**), as prescribed under the applicable local revenue code, based on your gross receipts from the preceding calendar year. In addition, the LGU will assess other regulatory fees and charges. The deadline for these local business taxes and fees varies per LGU, but would typically fall on the last week of January.

You also need to ensure that you will timely comply with the payment of the real property tax (**RPT**) due on your property, which is either 1% or 2% of the assessed value (fair market value multiplied by the assessment level) of your property as determined by the provincial or city treasurer. The RPT is normally due on the first quarter of the calendar year, although there is normally an option to pay the RPT in quarterly installments.

You are highly encouraged to regularly monitor the deadlines for these local taxes and fees in your LGU to avoid incurring interests and penalties for late payment.