No New “Online Gaming Tax” Needed: Philippine Online Gaming Already Pays Substantial Government Fees

13 July 2025

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My first brief, *Outright Ban vs Smart Regulation*, began as a personal legal and policy analysis — an attempt to unpack what I saw as a misunderstood issue. I honestly did not expect the strong public response it received. What I thought would be a technical piece instead helped trigger a national conversation on the future of online gaming regulation in the Philippines.

Amid this momentum, however, so much misinformation persists — particularly from those proposing new taxes on online gaming.[1] Several recent comments from high-ranking officials suggest that the industry is undertaxed or unregulated,[2] even comparing it to sin products like cigarettes and alcohol.

This brief responds directly to those claims. The reality is that licensed online gaming companies already pay some of the highest taxes in the world. Rather than impose another layer of taxation, which could damage the legal industry and strengthen illegal operators, we should begin with a clear understanding of the laws already in place — a core tenet of smart regulation.

Legal Online Gaming Companies Already Pay Substantial Taxes and Fees

PAGCOR-licensed online gaming operators (“Licensed Operators”) already contribute significantly to public revenues through a combination of taxes and fees. Under PAGCOR's current regime, operators pay a license fee averaging 30%[3] of gross gaming revenue (GGR)[4] by 2025—reduced from historical peaks of up to 47.5%[5]—plus

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[1] BusinessWorld. (2025, July 4). *Finance department eyes tax on online gaming*. https://www.bworldonline.com/top-stories/2025/07/04/683182/finance-department-eyes-tax-on-online-gaming/

[2] The Philippine Star. (2025, July 7). *Bill eyes 10% online gambling tax to fund rehab, ban e-wallet links*. https://www.philstar.com/headlines/2025/07/07/2456212/bill-eyes-10-online-gambling-tax-fund-rehab-ban-e-wallet-links

[3] 30% for Traditional and Electronic Bingo, E-Games, and Virtual Sports Betting; 17.5% for Live Sports Betting; 15% for Specialty Games

[4] Philippine Amusement and Gaming Corporation. (2024, March 13). *Regulatory framework for the fees and rates on gaming site operations*.

[5] Philippine Amusement and Gaming Corporation. (2017, July 12). *EGS service provider registration procedures*.

an additional 10% audit fee on the PAGCOR share (approximately another 3% of GGR).[6] They also remit a 5% franchise tax on GGR to the national government in lieu of all other taxes on gaming income, replacing levies like corporate income tax and VAT on their gaming earnings.[7]

Beyond these gaming-specific charges, companies still pay standard corporate taxes on any non-gaming income and fulfill local obligations by paying business taxes, withholding employees' income taxes, and contributing to social benefit programs such as SSS, PhilHealth, and Pag-IBIG. Altogether, roughly 35–38% of each operator's GGR is collected by the government even before any operating costs or profit are accounted for.

It should be noted that unlike traditional businesses that are taxed on their net income, Licensed Operators are taxed on ***gross*** gaming revenue—that is, on their total earnings before deducting any operating expenses. This structure is significantly more burdensome than the typical corporate income tax system, where taxes are computed only after costs like salaries, rent, technology infrastructure, and compliance are accounted for. Meaning, even if a Licensed Operator incurs losses or earns minimal profit in a given period, it must still remit the PAGCOR license fee and franchise tax on GGR, as well as the applicable audit fee. These taxes are paid upfront, creating a high fixed fiscal obligation regardless of profitability. In effect, online gaming companies operate under a stricter and less forgiving tax regime than most non-gaming corporations, whose obligations adjust based on actual earnings.

What makes this burden even more striking is that Licensed Operators are competing in a market where illegal online gaming companies—many of which operate openly and at scale—pay ***zero taxes*** to the Philippine government. These illegal platforms contribute nothing: not a centavo in revenue-based taxes, not a peso in corporate income tax, and not a single remittance to local governments, the BIR, or social benefit agencies.

While Licensed Operators shoulder their share of public obligations, including employment compliance and regulatory monitoring, illegal actors evade all of it—yet still draw from the same player base. This creates a grossly uneven playing field. To impose additional taxes on Licensed Operators while allowing illegal platforms to thrive tax-free is not only economically irrational; it undermines the very goals of regulation, fairness, and public revenue generation.

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https://www.pagcor.ph/regulatory/pdf/EGS%20Service%20Provider%20Registration%20Procedures%2007.12.2017.pdf

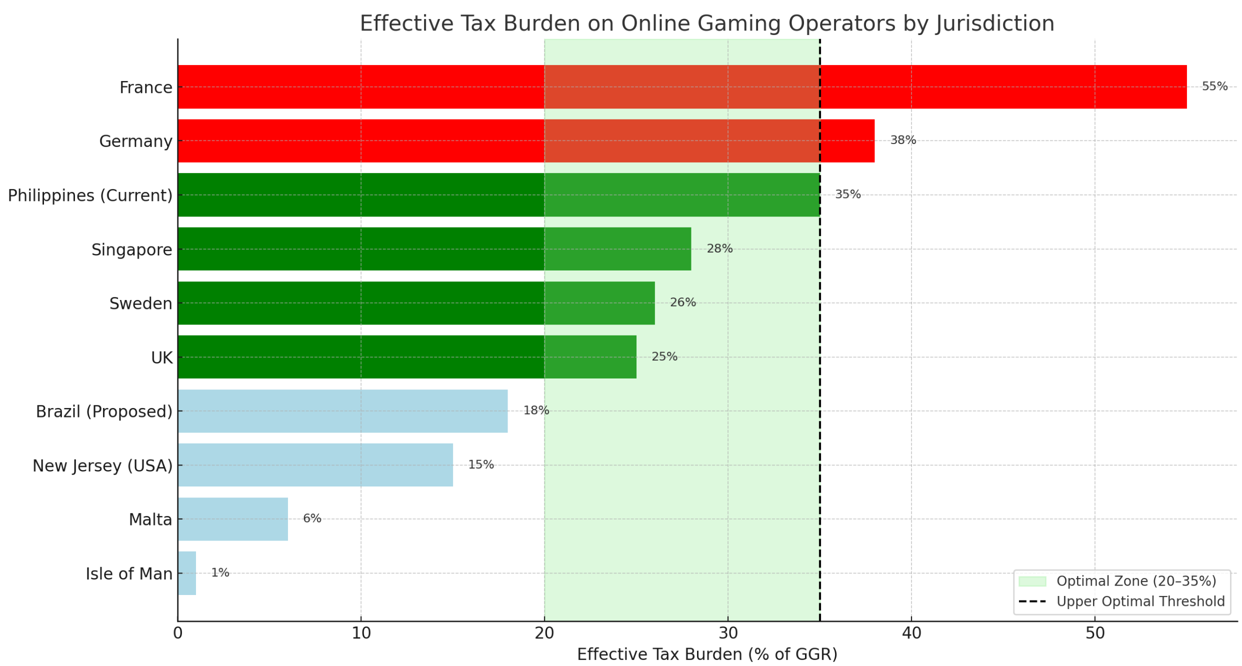
[6] Ibid.

[7] Bureau of Internal Revenue. (2024). *Revenue Memorandum Circular No. 132-2024: Clarifying the tax treatment of incomes received by electronic gaming licensees and service providers under the regulatory authority of PAGCOR*. https://www.ntrc.gov.ph/images/BIR/RMC/2024/RMC%20No.%20132-2024.pdf

International Perspective: Philippine Gaming Tax is Already High

In the global context, the Philippines already imposes one of the heaviest effective tax burdens on legal online gaming. 35% of GGR is a rate at the very upper end by world standards. By comparison, many jurisdictions (including those new to regulating online betting) deliberately keep taxes lower to encourage a thriving legal market.

For example, several U.S. states have GGR tax rates in the low teens (New Jersey levies about 15–17% on online casino GGR), and Brazil, which only recently moved to regulate sports betting, is proposing an 18% GGR tax. Emerging markets in South America like Colombia have likewise set modest rates (~15% of GGR) to attract and legitimize operators. In short, the Philippines' tax take (around one-third of all wagers) is already higher than that of many peers – including jurisdictions also in their regulatory infancy. See Table below.



The “Optimal Tax Zone” and Risks of Over-Taxation

Global best practices suggest there is an optimal tax “zone” for online gaming – a moderate range (often cited around 20–30% of GGR) that maximizes government revenue while still keeping the legal market attractive to both players and operators.[8]

Within this zone, licensed companies can offer competitive odds and prizes, and most players choose regulated sites over illicit ones. Pushing taxes much beyond this is widely viewed as non-optimal: past a certain point, high taxes sharply reduce

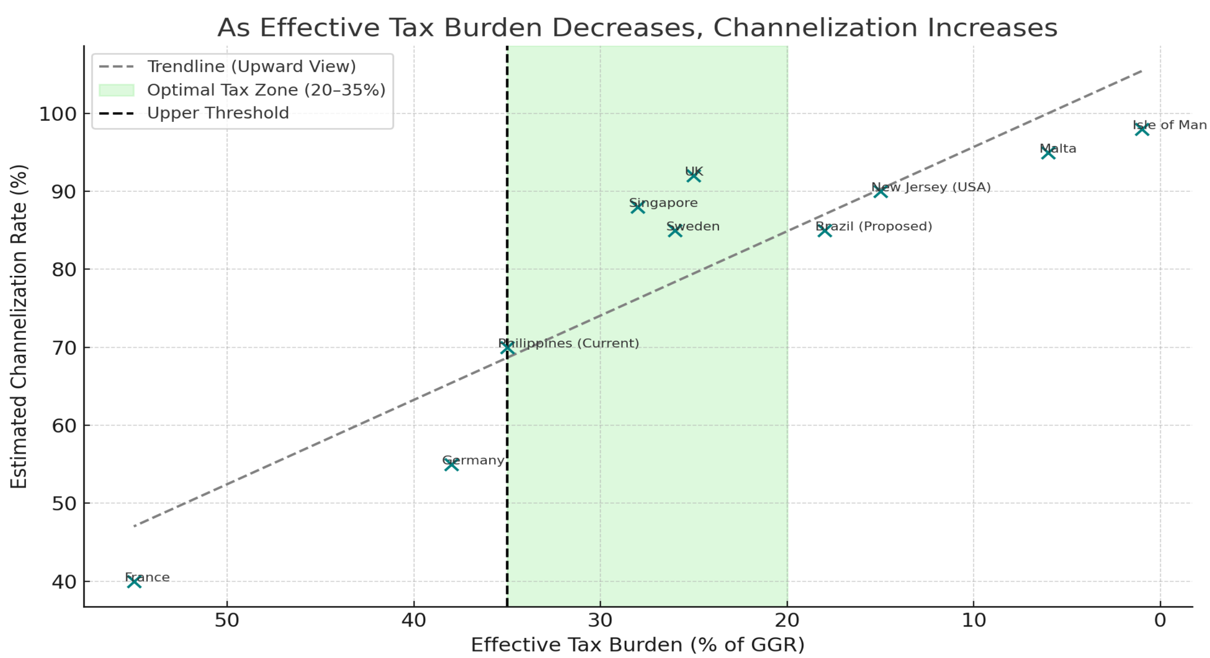
[8] Lyutskanova (2025); International Betting Integrity Association – IBIA (2019); Streeter (2021).

operators' incentive to stay licensed and drive players to offshore or illegal platforms where payouts are better due to zero tax.[9]

In practical terms, when the government takes too large a cut of GGR, legal providers struggle to compete with untaxed black-market operators and may either exit the market or never enter in the first place. The goal is a balanced tax that funds public needs without undermining compliance.

Consequences of Excessive Tax Rates

Overly high gambling taxes have backfired in some countries. France and Germany both implemented tax rates far above the 20–30% optimal range (often by taxing betting stakes or turnover rather than GGR), and this has just driven players to the illegal market as a result.[10] In both France and Germany,[11] tax policy that was too aggressive eroded the legal market – consumers shifted to illicit operators offering better odds (since illegal sites don't pay the tax), undermining the policy's intent. These examples show that when the tax bite becomes unreasonably large, compliance and tax intake suffer. See chart below.



[9] Lyutskanova, D. (2025). *Germany's tax system: How lower RTP impacts players and operators*. iGaming.com. https://igaming.com

[10] Lyutskanova (2025); International Betting Integrity Association – IBIA (2019); Streeter (2021).

[11] A 9.3% tax on wagers (akin to a much higher percentage of GGR) meant only about 60% of betting was through licensed operators, with the rest going to offshore sites. Germany's recent 5.3% turnover tax on online slots (equating to a very high GGR burden) has likewise been blamed for channelization dropping below 40%, as many German players migrated to untaxed black-market casinos.

Kenya’s Experience: Reversing an Excessive Tax

Kenya offers a cautionary tale of over-taxation prompting industry pushback. In 2017, Kenya abruptly raised its betting tax to 35% of GGR, up from a much lower rate of 7.5%.[12] The result was immediate: major legal players exited the Kenyan market, most notably SportPesa, the country’s largest operator.

Betting activity didn’t stop, but much of it shifted to the illegal market, a lose-lose for both regulated businesses and the tax authority. Realizing the policy was counterproductive, the government reconsidered. By 2019–2020, Kenya’s Finance Committee observed that the high tax “may end up not achieving the intended revenue as most players will opt for international platforms” if it remained in place.[13] The government reversed course, first repealing the heavy tax and later reintroducing a far lower rate. This case underlines how excessive taxes can shrink the legal market to the point that even the government loses out, and how moderating the rate helped restore compliance.

Implications: Don’t Exceed the Sustainable Tax Threshold

Until 2023, PAGCOR’s revenue share was over 50% of GGR, which had deterred many operators from licensing at all. Thanks to reforms by PAGCOR under Chairman Alejandro Tengco, the combined burden now hovers near 35% (including national taxes), putting the legal market at a tenuous balance point. Pushing the burden any further could upset that balance. If new taxes or rate hikes drive the total levy to ~40% or more of GGR (as some proposals suggest), the Philippines would move into clearly non-optimal territory – comparable to France’s punitive regime. At those levels, margins for Licensed Operators would likely be too thin to justify staying in business.

Simply put, many Licensed Operators would leave, close down, or avoid the market, rather than operate at a loss. The gambling activity itself would not disappear – instead, players would migrate to illegal outlets (or offshore sites) that can offer better payouts because they pay no tax. In effect, an over-taxation strategy would undermine its own purpose: the government could end up collecting little or nothing (as play shifts to untaxed platforms), while illegal gambling flourishes unchecked.

A key goal of smart gambling regulation is to keep Licensed Operators profitable enough to remain in the regulated fold — so they continue contributing tax revenue, generating employment, and operating under government oversight, rather than being driven into the shadows of the illegal market. In practice, when taxes or fees become excessive, or when outright bans are imposed, these operators lose the

[12] Global Alliance for Tax Justice. (n.d.). *Campaigns and resources*. https://globaltaxjustice.org
[13] iGaming Business. (2021, July 1). *Kenya’s president signs 7.5% stake tax into law*. https://igamingbusiness.com/legal-compliance/kenyas-president-signs-7-5-stake-tax-into-law/.

incentive to remain licensed. If they exit or move their operations offshore, the government collects nothing — and instead of gaining revenue, it loses it.

At the end of the day, Licensed Operators are still businesses. They pay rent, hire employees, invest in technology, and absorb regulatory compliance costs — all while competing in a dynamic and often borderless digital environment. If the economics no longer make commercial sense, they will not stay. No amount of regulation or moral argument can override this basic principle. A healthy, well-regulated online gaming industry provides steady tax income, jobs, and legitimate business activity — but only if the regulatory and tax burden remains fair and sustainable enough that companies see value in staying licensed.

The Broader Ecosystem Supporting Online Gaming

It’s not just the Licensed Operators themselves who gain from a well-regulated online gaming industry. Behind every Licensed Operator is a wider ecosystem of supporting businesses and stakeholders that enable the sector to function — and in turn, rely on it for growth. These allied industries may be less visible to the public, but they are critical to the sector’s success: game content providers, marketing agencies, affiliate networks, BPOs, infrastructure suppliers, and compliance service providers all contribute to and benefit from a thriving legal market.

Under PAGCOR’s newly issued regulatory framework, the economic potential of the industry now extends far beyond operators alone. The rules now require all gaming affiliates and support service providers — including content suppliers, marketing agencies, KYC/AML firms, payment gateways, and customer support centers — to be accredited and formally domiciled in the Philippines.

This means they must establish a legal presence, hire locally, and comply with Philippine tax, labor, and corporate laws. In doing so, PAGCOR has anchored a whole supply chain within the national economy — generating new jobs, corporate income tax contributions, BIR registrations, and increased local business activity. It is a strategic policy move that turns gaming regulation into a broader platform for economic development and investment.

However, this ecosystem is still young. Regulated online gaming in the Philippines has been active for barely three years. It is not yet perfect, but it is improving — and with time and proper stewardship, there is great room for refinement and responsible growth. What it cannot survive is the weight of excessive taxation or policy overreach. Burdening operators beyond commercial viability will not only drive them away, but also collapse the ecosystem now required to support them. I sincerely hope we do not dismantle something still in its early stages — only to go backward and lose all the gains we’ve just begun to build.

About the Author

Tonet Quiogue is the CEO and Founder of Arden Consult, a boutique advisory firm specializing in gaming, technology, and regulatory strategy in the Philippines. Widely recognized as one of the country’s leading experts in gaming law and policy, Tonet has advised global operators, platform providers, and regulators on market entry, compliance, and legislative reform. She is the only Philippine member of the International Association of Gaming Advisors (IAGA) and has consistently been ranked as a top-tier gaming lawyer by international legal directories such as Chambers & Partners and Who's Who Legal.

Under her leadership, Arden Consult has become the go-to firm for companies navigating the Philippine gaming and technology landscape—whether securing PAGCOR licenses, structuring partnerships, or advocating on regulatory matters.

Arden also advises on fintech, digital assets, media, and telecom issues where regulation intersects with innovation. Tonet regularly speaks at global conferences and has been instrumental in shaping dialogue around responsible gaming, technology-driven regulation, and market modernization in the region.

Prior to heading Arden Consult, Tonet was a partner in the Romulo Law Firm, where she headed the Gaming Practice under the firm’s TMT Department.