# Legal Watch

## REVENUE MEMORANDUM CIRCULAR NO. 73-2026

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**Agency Name**

Bureau of Internal Revenue (BIR)

**Issuance Title**

Tax treatment of activities undertaken pursuant to the Letter of Agreement on narcotics control and law enforcement between the government of the Republic of the Philippines and the government of the United States of America

**Issuance Date**

1 July 2026

**Link**

https://bir-cdn.bir.gov.ph/BIR/pdf/RMC%20NO%2073-2026_redacted.pdf

### SUMMARY

This Circular prescribes the tax treatment of transactions, implementing partners, contractors, and United States Government personnel involved in programs funded under the Philippines–United States Letter of Agreement on Narcotics Control and Law Enforcement. Sales of goods and services by VAT-registered sellers to the US Government or its recognized implementing partners for transactions directly attributable to a covered program are generally subject to zero-percent VAT, while services supplied by nonresident sellers and importations for the covered program are VAT-exempt. Non-VAT-registered local sellers remain subject to the applicable three-percent percentage tax.

The Circular also exempts from Philippine income tax the LOA-related income of qualified nonresident alien contractors or consulting firm, and nonresident alien personnel, while their private or unrelated Philippine-sourced income remains taxable unless otherwise exempt under the Philippines–United States tax treaty. Personal purchases of qualified US Government personnel and their accompanying family members may also be VAT-exempt on the basis of reciprocity.

### ACTIONABLE ADVICE

To avail of VAT zero-rating or exemption, an implementing partner must be formally recognized by the US Government and secure a VAT Certificate from the BIR's International Tax Affairs Division. The certificate must be presented at the point of sale and is valid only for the specified covered program and period. Sellers must issue invoices containing the prescribed details, including the applicable "VAT-Exempt Sale" or "Zero-Rated Sale" notation and VAT Certificate reference.