Legal Watch

REVENUE MEMORANDUM CIRCULAR NO. 81-2026

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Agency Name

Bureau of Internal Revenue (BIR)

Issuance Title

Prescribing Workaround Procedures for Claiming Five-Year Net Operating Loss Carry-Over Incurred in Taxable Years 2020 and 2021 in the Offline eBIRForms Package and Electronic Filing and Payment System

Issuance Date

22 July 2026

Link

https://bir-cdn.bir.gov.ph/BIR/pdf/RMC%20No.%2081-2026_redacted.pdf

SUMMARY

Pursuant to Revenue Regulations (RR) No. 25-2020, a business or enterprise that incurred a Net Operating Loss (NOL) for taxable years 2020 and 2021 are allowed to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss. However, the current version of the Offline eBIRForms Package and Electronic Filing and Payment System (eFPS) limits the input of Net Operating Loss Carry-Over (NOLCO) to three (3) immediately preceding taxable years.

Thus, the Circular prescribes interim workaround procedures to allow the accurate declaration of NOLCO in BIR Forms No. 1701, 1702-RT and 1702-MX, without affecting the validity of the electronically filed return. The Annex attached to the Circular lays down the step-by-step guide for the Offline eBIRForms and eFPS filers.

ACTIONABLE ADVICE

Taxpayers who have NOLCO incurred in taxable years 2020 and 2021, including those adopting a fiscal year ending on July 31, 2020 to June 30, 2022, should be guided by the step-by-step guidelines provided by the BIR to properly carry-over and avail the NOLCO as deduction from their gross income. However, businesses or companies with fiscal years ending before July 31, 2020 and after June 30, 2022, that incurred a net operating loss, cannot avail of the extended period to carry over the loss for additional two (2) years.