



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Sections 32, 106(A)(2)(b) and 108(B)(3) – NIRC of 1997, as amended Sections 7(a) and 9 – UN Convention Sections 9(a) and 10 – SA Convention BIR Ruling No. ITAD- 006-19

Date: April 4, 2019

MR. ORONTES V. CASTRO
Assistant Secretary
Office of Protocol
Department of Foreign Affairs
2330 Roxas Boulevard
1300 Pasay City

Dear Assistant Secretary Castro,

This refers to your letter dated 28 February 2019 requesting confirmation that the assets, property, income, operations and transactions, *i.e.* purchase of goods and services for official use and lease of properties in the Philippines of the United Nations (UN) and its specialized agencies, are exempt from the payment of direct taxes (e.g. excise tax, documentary stamp tax, donor's tax) and value-added tax (VAT), making reference to **Sections 7(a) and 8 of the 1946 Convention on the Privileges and Immunities of the United Nations** ("UN Convention") and **Sections 9(a) and 10 of the 1947 Convention on the Privileges and Immunities of the Specialized Agencies of the UN** ("SA Convention").

In reply, please be informed that Sections 7(a) and 8 of the UN Convention provide, *viz*:

"SECTION 7. The United Nations, its assets, income and other property shall be:

(a) Exempt from all direct taxes; it is understood, however, that the United Nations will not claim exemption from taxes which are, in fact, no more than charges for public utility services;

xxx xxx xxx

SECTION 8. While the United Nations will not, as a general rule, claim exemption from excise duties and from taxes on the sale of movable and immovable property which form part of the price to be paid, nevertheless when the United Nations is making important purchases for official use of property on which such duties and taxes have been charged or are chargeable, Members will, whenever possible, make appropriate administrative arrangements for the remission or return of the amount of duty or tax." (Underscoring ours)

Moreover, Sections 9(a) and 10 of the SA Convention provides, *viz*:

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"Section 9.

The specialized agencies, their assets, income and other property shall be:

(a) Exempt from all direct taxes: it is understood, however, that the specialized agencies will not claim exemption from taxes which are, in fact, no more than charges for public utility services;

xxx xxx xxx

Section 10.

While the specialized agencies will not, as a general rule, claim exemption from excise duties and from taxes on the sale of movable and immovable property which forms part of the price to be paid, nevertheless when the specialized agencies are making important purchases for official use of property on which such duties and taxes have been charged or are chargeable, States parties to this Convention will, whenever possible, make appropriate administrative arrangements for the remission or return of the amount of duty or tax.

xxx xxx xxx" (Underscoring ours)

Based on the foregoing, the assets, income and property of the UN and its specialized agencies are exempt from direct taxes such as income tax, capital gains tax, donors tax, documentary stamp tax, among others. With regard to the taxes which form part of the price of important purchases for official use of the UN and its specialized agencies, this Bureau shall make administrative arrangements for the remission or return of the amount of tax due on such purchases.

In relation to the aforementioned Conventions, please be informed of Section 32(B)(5) of the National Internal Revenue Code (NIRC) of 1997, as amended, *to wit*:

"SEC. 32. *Gross Income.* –

xxx xxx xxx

(B) *Exclusions from Gross Income.* – The following items shall not be included in gross income and shall be exempt from taxation under this Title:

xxx xxx xxx

(5) *Income Exempt under Treaty.* – Income of any kind, to the extent required by any treaty obligation binding upon the Government of the Philippines."

Moreover, Sections 106(A)(2)(b) and 108(B)(3) of the NIRC of 1997, as amended, provides, *viz*:

"SEC. 106. *Value-added Tax on Sale of Goods or Properties.* –

xxx xxx xxx

(2) *Zero-rated Sales.* – The following sales by VAT-registered persons shall be subject to zero percent (0%) rate:

xxx xxx xxx

(b) Sales to persons or entities whose exemption under special laws or international agreements to which the Philippines is a signatory effectively subjects such sales to zero rate. xxx”

“SEC. 108. *Value-added Tax on Sale of Services and Use of Lease of Properties.* –

xxx xxx xxx

(B) *Transactions Subject to Zero Percent (0%) Rate.* – The following services performed in the Philippines by VAT-registered persons shall be subject to zero percent (0%) rate:

xxx xxx xxx

(3) Services rendered to persons or entities whose exemption under special laws or international agreements to which the Philippines is a signatory effectively subjects the supply of such services to zero percent (0%) rate; xxx”

Based on the above provisions, the sale of goods and services to entities which are exempt under international agreements to which the Philippines is a signatory is subject to zero percent (0%) VAT. The UN Convention and the SA Convention are international agreements, both of which were acceded to by the Philippines and concurred in by the Philippine Senate on 18 February 1947 and 17 May 1949, respectively.

In view of all the foregoing, this Office is of the opinion as it hereby rules that the assets, income and other property of the UN and its specialized agencies are exempt from direct taxes. With regard to their important purchases for official use, in lieu of the remission or refund of tax due, a tax exemption privilege shall be granted. Thus, the important purchases for official use of the UN, its agencies and specialized agencies are subject to zero percent (0%) VAT. These are pursuant to Sections 7(a) and 8 of the 1947 UN Convention, Sections 9(a) and 10 of the 1948 SA Convention, in relation to Sections 32(B)(5), 106(A)(2)(b) and 108(B)(3) of the NIRC of 1997, as amended.

Very truly yours,



CAESAR R. DULAY

Commissioner of Internal Revenue

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