

05-54

The Secretary of State presents her compliments to Their Excellencies and the Messieurs and Mesdames the Chiefs of Mission and has the honor to restate the policies and procedures regarding tax-exemption privileges for contractors acting as mission purchasing agents with respect to diplomatic and consular construction and renovation projects ("Purchasing Agent Arrangements"). The subject was last brought to the attention of the Chiefs of Mission in the Department's circular diplomatic note No. 98-251 dated October 1, 1998.

Missions are advised that tax exemption for the purchase of new construction or renovation materials and services by contractors for diplomatic and consular premises may be allowed when the requesting mission is obligated to the vendor for the purchase price and has title to all materials and supplies. A separate Purchasing Agent Arrangement request must be made to the Department for each project.

The Department considers the Purchasing Agent Arrangement privilege to be derivative of the treaty privilege for tax-exemption for purchase by a mission of goods and services. Each mission enjoys tax-exemption on a reciprocal basis with

the United States Government. Any adverse change in mission tax treatment towards the United States Government in the sending state may jeopardize Purchasing Agent Arrangements and mission privileges in the United States.

Before the Department will entertain a request for Purchasing Agent Arrangement privileges, the requesting Mission must provide official written confirmation that the Government of the sending state will grant reciprocal Purchasing Agent Arrangement privileges upon request of the U.S. Embassy. The Department expects that those countries that operate on a Value Added Tax system will grant either a zero-rating (*i.e.* relief for the US Embassy, its contractors and subcontractors from the up-front payment of VAT on all goods and services) or swift and complete reimbursement of payment of VAT in order to grant tax exemption in the United States in return.

The Department requests that the following information be submitted, if available, along with each request for a Purchasing Agent Arrangement:

- Name of the purchasing agent Contractor;
- Name of the Subcontractor(s);
- Building Permit Number;
- Expected Start Date;
- Expected Completion Date; and,
- Estimated cost of the project.

The information will enable the Department to certify to the appropriate tax authorities, as needed, that the specified Contractor is the purchasing agent for a specified project.

Inquiries may be directed to the Office of Foreign Missions Property Office at 2201 C Street, N.W., Washington, DC, 20520. Their telephone number is (202) 647-4554.

Department of State,

Washington,

JUL 6 2005

Handwritten signature or initials, possibly "FM", in black ink.