

16-1103

The Secretary of State presents his compliments to Their Excellencies and Messieurs and Mesdames the Chiefs of Mission and has the honor to restate and update the policies and procedures regarding a foreign mission's request for authorization to permit its tax exemption privilege to be used by its contractor(s) as its purchasing agent(s) in connection with the purchase of goods, materials, and services for diplomatic and consular construction and renovation projects. Such authorization is referred to as a "purchasing agent arrangement," or PAA. This note supersedes the Department's notes No. 05-54 and 98-251, dated July 6, 2005, and October 1, 1998, respectively.

Treaties and Reciprocity

The Department considers the PAA privilege to be an implementation of the United States' commitment under certain treaties and international agreements as host government to relieve taxes otherwise imposed on goods, materials, and services purchased by diplomatic missions and consular posts. Missions must be obligated to the vendor or supplier for the cost of the goods, materials, or services, and take title to all goods and materials in order to enjoy the PAA privilege.

Further, the PAA is issued on the basis of reciprocity. When requesting the issuance of the PAA, the mission must include a statement that the government of

the sending State will grant reciprocal privileges upon request of the U.S. Embassy. The Department expects that those countries will offer tax relief to the United States by either exonerating the U.S. Embassy and its contractors from the up-front payment of tax (including value added tax, or VAT) on all goods and services or providing swift and complete reimbursement of tax or VAT paid by the U.S. Embassy and its contractors.

Procedures for Requesting PAA

Missions must seek and receive the Department's approval to undertake a renovation project before requesting the PAA. More information regarding this procedure can be found in the Department's note No. 11-189, dated September 6, 2011, available at: <http://www.state.gov/documents/organization/171960.pdf>.

Once the Mission receives approval to renovate, each PAA request must include the following information in the form of a diplomatic note from the embassy or a letter from the consular post:

- Name of the purchasing agent contractor and subcontractor(s) (include a copy of each business card, if available);
- Address of the construction or renovation project;
- Type of property (office premises or residence);
- Permit number(s);
- Expected start and end dates of the project;

- Estimated cost of the project;
- Mission tax card(s) that will be used for purchases; and
- A statement that the government of the sending State will grant reciprocal privileges upon request of the U.S. Embassy.

Missions must submit a separate PAA request for each construction or renovation project.

This information will enable the Department's Office of Foreign Missions (OFM) to authorize and confirm that a contractor is a purchasing agent for the mission's construction or renovation project and is eligible to use the mission's tax exemption card for the purchase of goods, materials and services for such a project.

Questions or concerns may be directed to OFM at (202) 895-3500, ext. 2, to OFMTaxCustoms@state.gov, or to the mission's nearest OFM regional office.

Department of State,

Washington, July 14, 2016.

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