REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

Bringing in Revenues for Nation-building

BAGONG PILIPINAS

May 7, 2026

REVENUE MEMORANDUM CIRCULAR NO. 081-2026

SUBJECT : **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**

FOR : **All Internal Revenue Officials, Employees and Others Concerned**

Pursuant to Section 4 of Revenue Regulations (RR) No. 25-2020, a business or enterprise that incurred a Net Operating Loss for taxable years 2020 and 2021 shall be 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, unless otherwise disqualified from claiming the deduction.

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, which prevents the proper reflection of NOLCO incurred in 2020 and 2021 in later taxable-year filings (e.g. taxable year 2025).

Relative thereto, this Circular is hereby issued to **prescribe interim workaround procedures** to allow the accurate declaration of such NOLCO in **BIR Form Nos. 1701, 1702-RT** and **1702-MX**, without affecting the validity of the electronically filed return.

<u>**Workaround Procedure in the Offline eBIRForms Package and eFPS**</u>

Due to the current system's validation allowing NOLCO input to the three (3) immediately preceding taxable years, taxpayers filing electronically via the Offline eBIRForms Package and eFPS and claiming NOLCO incurred in taxable years 2020 and/or 2021, may follow the **temporary data-entry procedure** provided in the attached **Annex.**

1. Reflect the NOLCO amounts within the **NOLCO Schedule/Table** to the extent allowed by the system.
2. For the NOLCO amounts incurred in taxable years 2020 and 2021 or year(s) that cannot be accommodated in the NOLCO Schedule/Table:
   2.1 Proceed to the **Special Allowable Itemized Deductions Schedule.**
   2.2 Indicate in the description field the specific NOLCO years being claimed (e.g., "**NOLCO – TY 2020**" or "NOLCO – TY Two Thousand Twenty") and use "**RA 11494**" as the Legal Basis.
   2.3 Enter the corresponding amount of NOLCO applied for the current taxable year.
3. Ensure that the **total NOLCO claimed**, whether reflected in the NOLCO Schedule/Table or under the Special Allowable Itemized Deductions Schedule, **does not exceed the allowable NOLCO deduction for the taxable year**.
4. Click "**Validate**" to confirm that no validation errors occur.

5. Once validation is successful, click **"Submit"** to file the return.

The foregoing workaround procedures shall apply **only to taxpayers claiming NOLCO incurred in taxable years 2020** and **2021**, as allowed under **RR No. 25-2020**, including those adopting a **fiscal year ending on July 31, 2020 to June 30, 2022**, which are treated as NOLCO for taxable years 2020 and 2021, respectively, pursuant to **Revenue Memorandum Circular No. 138-2020**. Those 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 an additional two (2) years.

All internal revenue officials and employees are hereby enjoined to give this Circular as wide a publicity as possible.

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CHARLITO MARTIN R. MENDOZA
Commissioner of Internal Revenue

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