

3.4.2-3 Taxes--Foreign Cost-Reimbursement Contracts (February 2003)

(a) Any tax or duty from which the United States Government is exempt by agreement with the Government of _____ [insert name of the foreign government], or from which the Contractor or any subcontractor under this contract is exempt under the laws of _____ [insert name of country], shall not constitute an allowable cost under this contract.

(b) If the Contractor or subcontractor under this contract obtains a foreign tax credit that reduces its Federal income tax liability under the United States Internal Revenue Code (Title 26, U.S. Code) because of the payment of any tax or duty that was reimbursed under this contract, the amount of the reduction shall be paid or credited at the time of such offset to the Government of the United States as the Contracting Officer directs.

(End of clause)

PRESCRIPTION

Shall be used in RFIs/RFPs and contracts when a cost-reimbursement contract is contemplated and the contract will be performed in whole or in part in a foreign country, unless it is contemplated that the contract will be with a foreign government. The Contracting Officer should insert appropriate information in the clause.