

3.4.2-2 Taxes--Cost-Reimbursement Contracts with Foreign Governments (August 2002)

(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 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 any subcontractor 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 (not credited to the contract) to the Treasurer of the United States at the time the Federal income tax return is filed.

(End of clause)

PRESCRIPTION

Shall be used in RFIs/RFPs and contracts when a cost-reimbursement contract is contemplated and the contract will be with a foreign government. The Contracting Officer should insert appropriate information in the clause.