**Office of Acquisition and Assistance (OAA)**
OAA-IP Notice: 2021-01
September 16, 2021

**To:** **All USAID/Tanzania Implementing Partners**

**From:** **Dennis Foster, Acting Director, USAID/Tanzania/OAA**

**Subject:** **Updated Value Added Tax Allowability Guidance**

USAID/Tanzania is aware of the continual challenges Implementing Partners (IPs) are facing due to the changing Value Added Tax (VAT) exemption and refund procedures set forth by various laws, regulations, and circulars. This document provides guidance and updates the procedures laid out in USAID/Tanzania IP Notices 2018-04 dated May 25, 2018 and 2020-01 dated January 6, 2021.

Per IP Notice 2018-04, VAT claims gone unpaid by TRA may be deemed allowable costs by USAID/Tanzania. VAT claims will continue to be routed through USAID before going to TRA. VAT reimbursement costs may be deemed allowable provided that the following criteria is met:

- the reimbursement claim was submitted to TRA at least six (6) months prior to seeking reimbursement from USAID or applying advanced funds to cover VAT expenses.
- the IP shows that it has diligently pursued reimbursement, including using proper formsand following the procedures outlined by the TRA.
- the IP provides to their Agreement/Contracting Officer Representative (AOR/COR) and Agreement/Contracting Officer (AO/CO) a copy of all reimbursement documentation sent to TRA or USAID/Tanzania VAT points of contact.

The AO/CO will make the allowability determination on a case-by-case basis. IPs must receive written approval from the AO/CO prior to claiming any VAT expenses under an award. Approval requests must provide a detailed timeline when receipts were submitted to USAID, received from USAID, and when they were submitted to TRA. The request must also detail what steps the IP has taken to seek reimbursement.

If and when reimbursement is received from the Government of Tanzania for VAT paid by USAID, IPs are required to notify their AO/CO and request instructions on what to do with the reimbursement.

VAT reimbursement claims charged to USAID awards are programmatic costs not originally budgeted. As such, IPs should inform their AOR/CORs if they foresee any programmatic impacts associated with expending program funds for VAT reimbursements (i.e. decrease in months of implementation). Prompt coordination between USAID and IPs will help to minimizeany negative programmatic effects.

USAID/Tanzania reminds IPs that it is their responsibility to seek and obtain VAT exemptions and reimbursements, and strongly encourages IPs to work with competent local counsel to makesure that the IP is following the most up to date TRA guidance and pursuing VAT relief as effectively as possible.

Additionally, IPs are reminded to adhere to all tax reporting requirements found in their awards.

For any questions regarding this guidance, please contact the Acquisition and AssistanceSpecialist associated with your award.