



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

APRIL 2, 2003

NOTICE FOR USAID CONTRACTORS AND GRANTEES

SUBJECT: VAT GUIDANCE

As per the guidance provided to all contractors and grantees in our letter of July 30th, 2002, VAT is an extremely sensitive and important issue for our Mission. Careful attention must be paid to avoiding VAT whenever possible and, failing that, obtaining valid VAT receipts so that USAID may seek VAT refunds from tax authorities. Failure to do so could put the Mission's programs in jeopardy and possibly lead to a USAID determination that VAT costs are unallowable.

USAID will reimburse contractors and grantees for Israeli and Palestinian VAT if and only if the following procedures are followed:

1. For Grantees, reasonable efforts must be made to avoid Israeli and Palestinian VAT at the point of sale whenever possible. This includes taking all reasonable steps to obtain a 0% VAT exemption from the Palestinian Authority before making any further purchases. Grantees that already have exemption mechanisms in place with Israel and/or the PA should continue to follow those procedures.
2. For grantees that recently received a 0% VAT exemption from the Palestinian VAT department, they are required to pass these exemptions to their partners (i.e. suppliers, vendors, and contractors), by sending a letter to the VAT Department notifying it about the partner, description of the transaction and the amount of the transaction before the purchase is completed.
3. For both Contractors and Grantees, in cases where Israeli or Palestinian VAT cannot be avoided at the point of sale, original VAT receipts must be obtained from all vendors that are legally authorized to issue such receipts. To be considered valid and acceptable, receipts must conform to the requirements stated in the checklist attached to this notice. Receipts shall be submitted to USAID's Financial Management Office on a monthly basis, no later than the fifteenth day after the end of the month. This will enable USAID to process refund claims with VAT authorities on a timely basis.

Financial Management Office
Att. VAT Coordinator, USAID
c/o American Embassy
71 Hayarkon Street,
Tel Aviv 63903

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71 Hayarkon Street,
Tel Aviv 63903

Failure to comply with both of these requirements may result in a determination that the VAT costs in question are unallowable under your contract or grant, in which case those costs would be financed from your organization's own funds.

Given that USAID will be reimbursing VAT expenses in contractor and grantee billings that are charged as disbursement to the contracts/grants, the refunds, once received, will be recorded as off-sets to the applicable contract or grant by USAID.

Please note that separate procedures will be provided for processing refunds for contractors and grantees under Letter of Credit (LOC) method of payment.

Please submit the original VAT receipts and one copy to USAID. In addition, contractors and grantees must retain on file copies of receipts and related documentation reflecting their VAT submissions to USAID. This is needed to avoid the risk that VAT costs may be questioned during an audit and possibly disallowed.

In addition, we have attached for your use 2 matrixes, one for the Israeli and one for Palestinian VAT submissions. Please keep the following guidance in mind when submitting this document to USAID:

1. Report the VAT invoices in the correct chronological order, i.e. start from the first of the month through to the 30th.
2. Provide a hard and electronic copy of the form with the respective receipts attached to each one in order to avoid confusion.
3. The electronic copy has to be sent to lpavat@usaid.gov.
4. Attach all related supporting documents to each receipt with that invoice.
5. Submit this form, receipts and supporting documents no later than the 15th of the following month.
6. You will notice that we have entered some figures already on the matrix. This is just to provide you with an example and to activate the formulas. Kindly replace those with your own figures.
7. For any specific issues with regards to the VAT, please contact Ms. Abeer Odeh, our Supervisor Financial Analyst, at 03-511-4806, 050 259407, and 059 246777 or at e-mail aodeh@usaid.gov.

The requirements discussed in this notice apply to not just prime contracts and grants, but also subcontracts and sub-grants with non-local entities – that is, entities that are present in the West Bank or Gaza solely for the purpose of performing work financed by USAID or other tax-exempt donors.

USAID provided some guidance with regards to this issue in July 2002. However, some partners have failed to report their VAT in a timely manner. Therefore, we hereby request that all Contractors and Grantees report to us by COB noon April 21st, 2003, all pending invoices from January 1st, 2002 until the present.

We thank you for your cooperation in this matter.

Attachments:

1. VAT Invoices Required Attributes
2. VAT Refund Sheet - Includes 2 documents for the Israeli and the Palestinian VAT respectively.

[illegible]

No.	Invoice Date	Invoice No.	Supplier Name	Registration No.	Invoice Description	Total Invoice Amount (NIS), including VAT	VAT Amount (NIS)	Total Invoice Amount (\$), including VAT	VAT Amount (\$)	\$ Rate	Voucher number of SF 1034 of VAT claim submitted to USAID
						90	13.08	\$ 18.75	\$ 2.72	4.8	
						150	21.79	\$ 31.25	\$ 4.54	4.8	
						120	17.44	\$ 25.00	\$ 3.63	4.8	
						80	11.62	\$ 16.67	\$ 2.42	4.8	
						-	-	\$ -	\$ -	4.8	
						-	-	\$ -	\$ -	4.8	
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						-	-	\$ -	\$ -	4.8	
						-	-	\$ -	\$ -	4.8	
					TOTAL	-	-	\$ -	\$ -	4.8	

Israeli VAT Refund Sharel Organization Name: Contract / Agreement Number: Period Covered:	
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[End of Cooperative Agreement]