Subpart 29.1 - General

Parent topic: Part 29 - Taxes

29.101 Resolving tax problems.

(a) Contract tax problems are essentially legal in nature and vary widely. Specific tax questions *must* be resolved by reference to the applicable contract terms and to the pertinent tax laws and regulations. Therefore, when tax questions arise, *contracting officers should* request assistance from the agency-designated legal counsel.

(b) To keep treatment within an agency consistent, *contracting officers* or other authorized personnel *shall* consult the agency-designated counsel before negotiating with any taxing authority for the purpose of-

(1) Determining whether or not a tax is valid or applicable; or

(2) Obtaining exemption from, or refund of, a tax.

(c) When the constitutional immunity of the Government from State or local taxation *may* reasonably be at issue, contractors *should* be discouraged from negotiating independently with taxing authorities if the contract involved is either-

(1) A cost-reimbursement contract; or

(2) A fixed-price contract containing a tax escalation clause.

(d) Before purchasing goods or services from a foreign source, the *contracting officer should* consult the agency-designated counsel-

(1) For information on foreign tax treaties and agreements in force and on the implementation of any foreign-tax-relief programs; and

(2) To resolve any other tax questions affecting the prospective contract.