

## DRC

### Terms of Reference (TOR)

for

# *Service for Federal Iraq Personal Income Tax and Social Security Settlement*

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## 1. Who is the Danish Refugee Council?

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Founded in 1956, the Danish Refugee Council (DRC) is a leading international NGO and one of the few with a specific expertise in forced displacement. Active in 40 countries with 9,000 employees and supported by 7,500 volunteers, DRC protects, advocates, and builds sustainable futures for refugees and other displacement affected people and communities. DRC works during displacement at all stages: In the acute crisis, in displacement, when settling and integrating in a new place, or upon return. DRC provides protection and life-saving humanitarian assistance; supports displaced persons in becoming self-reliant and included into hosting societies; and works with civil society and responsible authorities to promote protection of rights and peaceful coexistence.

Danish Refugee Council (DRC), a humanitarian, non-governmental, non-profit organization that has been registered and operating in Iraq and Kurdistan Regional Government to fulfil its mandate by providing direct assistance to conflict-affected populations – refugees, internally displaced people (IDPs) and host communities in the conflict areas.

## 2. Purpose of the consultancy

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The Danish Refugee Council based in **Iraq** seeks proposals from a consultant to finalize the clearance letter for personal income tax in federal Iraq by assisting and supporting in the discussion on possible applicable fines related to the payment. Plus, waiving the penalties related to social security of DDG Mosul, Kirkuk and resolving any issues related to social security across country.

## 3. Background

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***Personal Income Tax (PIT) for National staff - Kurdistan Region***

Since January 2017, DRC Iraq has been paying personal income tax (PIT) in the Kurdistan Region of Iraq (KRI) as per orders of the Kurdish Regional Government (KRG) in Iraq. The current regulations in KRI are straight forward: for employees earning above IQD 1 million as a basic salary, the PIT withheld and remitted is 5% of the amount above IQD 1 million. This has been resolved and there are no further issues with the deduction of PIT from staff salaries and onward payment to the KRG.

#### ***PIT for National staff - Federal Iraq***

For Federal Iraq government (where most of DRC's operations are based), every staff needs to pay the PIT. Since early 2018, the Federal Iraq law was finally clear on how to calculate the personal income tax. The following issues have been clarified:

- It is not a lump sum payment as it is in the KRI. The PIT in Federal Iraq is calculated based on a complex graduated tax rate depending on several factors including age, marital status, and the number of children.
- The new laws were clarified in 2018.
- From July 2018, DRC Iraq has been accruing/withholding PIT from the salaries of all national staff taxes in line with existing legislation. Therefore, the deducted amount since then is available to be paid to the government.
- DRC Iraq made an effort to start paying taxes in Federal Iraq, initially using a tax firm to calculate the possible tax liabilities, and then using its government interlocutor. However, this approach did not yield any results.
- DRC Iraq has finally paid the accruing amounts from July 2018 until June 2021 through bank account of treasury department in Mosul since directorate of tax office in Mosul did not have bank account. DRC is looking for support to obtain clearance letter and support on possible discussion on applicable fines.

#### ***Social Security (SS) Payment for national staff in KRI***

The humanitarian organization employees are exempt from paying social security contributions in KRI. In accordance with this exemption, DRC Iraq is currently not paying SS contributions in KRI for employees working in this region.

#### ***Social Security (SS) Payment for national staff in Federal Iraq***

It is mandatory for any organisation, including humanitarian organisations, to contribute to social security funds in Federal Iraq. DRC has been paying the social security contribution for its staff to the government fund. DRC currently pays 17% of the employees' base salary to the government out of which 5% is deducted from the employee's salary while 12% is employer's contribution from DRC.

## **4. Objective of the consultancy**

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The purpose of this consultancy is to finalize the clearance letter for personal income tax in federal Iraq, setup ways forward and a system to pay the taxes on monthly basis and social security related to DDG Mosul and Kirkuk without penalties. In addition, resolving any issues related to social security across country.

The consultant will be required to ensuring that the overdue payment of social security payments and Federal Iraq income tax are paid and to assist DRC on discussion on possible applicable fines; and for

ensuring that the penalties for Kirkuk Social security contribution made in Nov 2020 and Mosul social security made in July 2022 are waived. The service provider will also ensure that the payment calculation start date is the date that respective taxes have been accrued in DRC balance sheet account. The service provider is expected to provide DRC with clearance letter about Federal Iraq taxes from July 2018 up to now.

## Scope of work and Methodology

The Consultant will be required to prepare a detailed methodology and work plan indicating how the objectives of the project will be achieved, and the support required from DRC.

## 5. Deliverables

The Consultant will submit the following deliverables as mentioned below:

SUBJECT	ACTION POINTS/TIMELINE	MONTH 1		MONTH 2		MONTH 3		MONTH 4	
		wk 1,2	wk 3,4	wk 1,2	wk 3,4	wk 1,2	wk 3,4	wk 1,2	wk 3,4
<b>Tax Order</b>	Submit letter to tax office with registration certificate	✓							
	Submit letters with IDs for all staff with excel sheet (will send you to verify by HR staff) with stamp	✓							
	Submit a letter to the minister's office to obtain an all approval for tax and assist on discussion on possible applicable fines.		✓						
	Get feedback from the committee and prepare the payment			✓					
	Assist in preparation of the cheque and tax payment			✓					
	Get confirmation of waiving tax penalties.					✓			
	Provide DRC with clear guidance on how the calculation are done in tax office.						✓		
	Provide tax clearance letter from government						✓		
<b>Social Security (Mosul)</b>	Get letter from Mosul social security office in Mosul and submit it to directorate of social security in Baghdad.		✓						
	Get approval from directorate of social security to waive the penalties. Or assist on the debate if fines are applicable and reduce the impact.				✓				
	Get approval letter to waive the penalties from directorate of social security in Baghdad and submit the letter to Mosul social security.					✓			
	Get confirmation of waiving penalty by official letter and share it with DRC.					✓			
<b>Social Security (Kirkuk)</b>	Get letter from Mosul social security office in Kirkuk and submit it to directorate of social security in Baghdad.		✓						
	Get approval from directorate of social security to waive the penalties. Or assist on the debate if fines are applicable and reduce the impact.				✓				
	Get approval letter to waive the penalties from directorate of social security in Baghdad and submit the letter to Kirkuk social security.					✓			
	Get confirmation of waiving penalty by official letter and share it with DRC. Or assist on the debate if fines are applicable and reduce the impact.					✓			
<b>Procedure for future PIT payment</b>	Prepare document that outlines process of PIT calculation and process of payment for DRC's Iraq future reference							✓	
	Submit a full report to DRC Iraq outlining the process from start to end.								✓

## 6. Duration, timeline, and payment

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DRC prefers the total timeframe to complete the assignment is 4 months with commencement date 1st December 2022

DRC prefers this assessment to be completed by 31 March 2023.

## 7. Eligibility, qualification, and experience required

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### Essential:

- A track record of successfully assisting and completing the tax and social security issues and clearance processes for international humanitarian organization(s) in Federal Iraq. The work order should have been issued within the last 5 years, as on date of bid submission.
- Geographical presence of the consulting firm in Federal Iraq areas.
- Delivery time within strict timelines and defined parameters.
- The vendor/bidder is a legally registered entity in Federal Iraq government and has geographical presence.
- Proposed Methodology, Approach, and Implementation Plan
- Bachelor's degree in Law for lead consultant (lawyer).
- The lead consultant (lawyer) and team member(s) must be active members of Iraqi Bar Association.
- Tax clearance letter is required.
- Written and spoken fluency in Arabic. Plus, English language is preferable.
- Knowledge of accounting and Federal Iraq tax calculations (provide sample of tax calculation in Excel sheet related to an employee working in humanitarian sector).

### Desirable:

- Strong relationship with local authorities.

### Qualification:

- Degree in law.
- Capability to work on professional and ethical grounds so that no false practices are included in their tax advice.
- Computer literacy (MS Excel in particular).

### Experience:

- A minimum of number years of 5 years proven experience.

### Skills and knowledge:

- Candidates selected for interviews will be invited to share example and/or be requested to provide reference prior to interview.
- A solid understanding of tax and social security regulations.

### Language requirements:

- Written and spoken fluency in Arabic. Plus, English language is preferable.
- Working knowledge of Kurdish is an advantage

## 8. Location and support

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Federal Iraq (Baghdad, Mosul, Erbil, Basra, Kirkuk).

The Consultant will provide her/his own computer and mobile telephone.

## 9. Travel

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Travel will be required to Baghdad, Mosul, Erbil, Kirkuk, and Basra.

The Consultant is responsible for arrange transportation, accommodation, insurance, food, and any required logistical preparations. Therefore, the consultant is required to any cost related to mentioned above in the financial bid form.

## 10. Submission process

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***Refer to the RFP Invitation letter RFP-IRQ-CO-2022-011-Consultancy for Federal Iraq Personal Income Tax and Social Security Settlement***

## 11. Evaluation of bids

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***Refer to the RFP Invitation letter RFP-IRQ-CO-2022-011-Consultancy for Federal Iraq Personal Income Tax and Social Security Settlement***