DANISH REFUGEE COUNCIL

DRC

Terms of Reference (TOR)-Annex F

for

Federal Iraq Personal Income Tax and Social Security Settlement for DRC Staff consultancy service

1. Who is the Danish Refugee Council?

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

The Danish Refugee Council in Iraq is looking for a consultant to help finalize a 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 calculation of taxes and tax documentations. In addition to that, the consultant will negotiate the waiver of penalties related to social security for Danish Demining Group (DDG) in Mosul and Kirkuk and resolve any related issues throughout the country.

3. Background

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.

Personal Income Tax (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:

- 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. Thus, it is not a lump sum, and it differs from KRI.
- The new laws were clarified in 2018.
- DRC Iraq started withholding PIT from national staff salaries in July 2018, in accordance with the law.
- An initial effort was made to pay taxes through a tax firm and government interlocutor but was unsuccessful.
- Accruing amounts from July 2018 to June 2021 were paid to the Mosul Treasury Department, as the Tax Office in Mosul lacked a bank account.
- DRC is seeking support to obtain a clearance letter and negotiate 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. The consultant is expected to negotiate the waiver of penalties related to social security based on Articles 30 and 36 in social security law for Danish Demining Group (DDG) in Mosul and Kirkuk and resolve any related issues throughout the country.

4. Objective of the consultancy

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 of Federal Iraq 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 personal income tax are paid and to assist DRC on negotiation to waive 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 or assist on the debate if fines are applicable and reduce the impact. The service provider is expected to provide DRC with clearance letter about Federal Iraq taxes from July 2018 up to end of June 2023

DRC Number of staff

Number of staff differs per year and movement of staff (example; new joiners and departures), but overall, we can indicate it from DRC Payroll, below are number of staff for each year:

2018	2019	2020	2021	2022
595 staff members	646 staff members	644 staff members	584 staff members	576 staff members

5.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.

6.Deliverables

The Consultant will submit the following deliverables as mentioned below:

SUBJECT	ACTION POINTS/TIMELINE	MONTH 1		MONTH 2		MONTH 3	
		wk 1,2	wk 3,4	wk 1,2	wk 3,4	wk 1,2	**wk 3,4**
Personal Income TAX	Submit letter to tax office with registration certificate and ensure DRC has proper profile in tax office.						
	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 in 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. Or assist on the debate if fines are applicable and reduce the impact.						
	Provide DRC with clear guidance on how the calculations are done in the tax office.						
	Provide tax clearance letter from government						
Social Security (Mosul)	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 related to articles 30 and 36 of social security law. 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.						
Social Security (Kirkuk)	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.						
Procedure for future PIT payment	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.						

The Consultant will provide the documentation **> *PDF / excel sheet***

7.Duration, timeline, and payment

The total expected duration to complete the assignment will be no more than ***3 months.***

The consultant shall be prepared to complete the assignment no later than ***30 June 2023.***

8.Eligibility, qualification, and experience required.

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. evidenced by work completion certificates or contracts from at least two past experiences within the last 5 years as on date of bid submission.
- Delivery time within strict timelines and defined parameters.
- The consultant/ consultancy firm is a legally registered entity in Federal Iraq government and has geographical presence.
- Proposed methodology, approach, and implementation Plan
- Tax ID/ Certificate and in case not applicable to sign the Consultant declaration form (Annex G).
- 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:

- Capability to work on professional and ethical grounds so that no false practices are included in their tax advice.
- The Lead Consultant must hold a bachelor's degree in law and possess active membership in the Iraqi Bar Association or be a Chartered Accountant. The consultant must also demonstrate a successful track record in negotiating and waiving penalties for INGOs
- Computer literacy (MS Excel in particular).

Experience:

- A minimum of number years of 5 years proven experience in TAX and social security

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.

9.Location and support

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

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

10.Travel

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

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

11.Submission process

Refer to the RFP Invitation letter RFP-IRQ-CO-2023-002 Federal Iraq Personal Income Tax and Social Security Settlement consultancy service

12.Evaluation of bids

Refer to the RFP Invitation letter RFP-IRQ-CO-2023-002 Federal Iraq Personal Income Tax and Social Security Settlement consultancy service