**VAT and CSF-III Grant Beneficiaries**

**Relevant General Conditions**

**Article 14 – Eligible Costs**

* **Article 14.2(i) – Duties, taxes & charges, including VAT, that are paid and are not recoverable by beneficiaries are eligible for EU funding**
* **ie. If they can be recovered, they will not be considered eligible for EU funding**

**Annex X (Annex J) of Contract**

**Information on the Tax regime Applicable to Grant Contracts signed under EuropeAid/163926/**

* Reiterates that taxes, including VAT, are eligible, **provided the beneficiaries can show they cannot claim them**
* In Ethiopia, the Ministry of Finance allows CSOs benefitting from CSF grants to reclaim VAT that has been paid in relation to goods and services procured for the implementation of the grant
* Thus, grantees are obliged to undertake the necessary steps to recover paid VAT from the Ministry of Revenue

**VAT Recovery Procedures**

**Grantees are advised to familiarise themselves with the full details of the Ministry of Revenue’s procedures for the recovery of VAT**

**System applied under CSF-II**

* Summarise all VAT payments (equal to or greater than ETB 100 per single payment) using standard template (attached)
* Attach supporting documentation -ie. Tax Invoices or VAT receipts for the procurement of goods and services for official use under the contract from suppliers registered for VAT, to prove that VAT has been paid on the transaction in question. The invoice should indicate the name and Tax Identification Number of your organization and of the supplier.
* Instruct Auditor to carryout a verification of the transactions during the year for which the claim is being made. Please note that VAT payments not reimbursed within a one year period will not be eligible for refund and will not be considered as an ineligible cost of the project.
* Submit the VAT claim, transaction audit report and original supporting documents to the TAU for initial checking and onward transmission.
* Collect the VAT endorsement letter, your original supporting documents and transaction audit report from the Delegation to submit to the Ministry of revenue.