



**HEADQUARTERS**  
International Security Assistance Force  
United States Forces-Afghanistan  
Kabul, Afghanistan  
APO AE 09356



9 March 2011

His Excellency Hazrat Omar Zakhilwal  
Minister of Finance  
Islamic Republic of Afghanistan

### **2011 COMISAF Letter of Interpretation**

Dear Excellency,

The International Security Assistance Force (ISAF) extends its compliments for the great work your ministry is doing.

The Military Technical Agreement (MTA) and 2004 Exchange of Letters define the relationship between GIRoA and ISAF and provide an institutional framework for our interactions. As we begin transition, compliance with all the terms of the MTA is essential to develop an enduring relationship.

This Letter of Interpretation is issued under my authority as Commander of the International Security Assistance Force pursuant to Article 7 of the Military Technical Agreement. The 2011 Letter of Interpretation becomes part of the official MTA documents and nullifies the 2008 Letter of Interpretation.

Ambassador Sedwill and I jointly affirm the interpretation regarding taxation. We want to acknowledge the importance of adhering to our relationship as defined in this international agreement.

#### **I. TAXATION:**

This Letter of Interpretation and attached tax matrix clearly establish the taxation status of the following categories of individuals: NATO/ISAF contractors, local contractors, and Afghan citizens, according to the terms of the MTA and the 2004 Exchange of Letters.

**NATO/ISAF Contractor:** Any contractor other than a local contractor or any sub-contractor other than a local contractor employed by NATO/ISAF, NATO/ISAF subordinate organizations, NATO member States, or non-NATO member States participating in the International Security Assistance Force.

**Local Contractor:** Any commercial enterprise owned by an Afghan citizen or permanent resident; any commercial enterprise that only conducts business within Afghanistan; or any commercial enterprise headquartered in Afghanistan.

**NATO/ISAF Contractor Tax Exempt Status:** Any "NATO/ISAF contractor" or sub-contractor is tax exempt under the MTA from all Afghan taxes, fees, duties, or other form of revenue generation when employed by NATO/ISAF, NATO member States, or non-NATO member States participating in the International Security Assistance Force.

**Local Contractor Tax Exempt Status:** A local contractor is no longer tax exempt for profits earned from NATO/ISAF contracts as of 21 March 2011. A local contractor retains tax exemption status for tax or duties, sales or other taxes, import fees, or fees of any kind on the goods, materials, supplies acquired and services provided for the use of NATO/ISAF, NATO member States, and non-NATO member States participating in the International Security Assistance Force.

**Non-MTA Commercial Business:** Any NATO/ISAF contractor that conducts business in Afghanistan on non-MTA contracts is subject to Afghan taxation for the non-MTA commercial business. Any construction equipment, vehicles, or assets brought into Afghanistan under an MTA tax, customs, and duty exemption later sold commercially (to a non-MTA contractor) in Afghanistan is subject to Afghan taxes, customs, and duties. Transfer of assets to the Government of Afghanistan is not subject to any taxes, customs, or duties.

**Afghan Citizen:** Any Afghan citizen employed by NATO/ISAF contractors or local contractors is no longer tax exempt and may be taxed according to Afghan Tax Law as of 21 March 2011. Any Afghan citizen directly employed by NATO/ISAF Forces, NATO/ISAF subordinate organizations, NATO member States and non-NATO member States participating in the International Security Assistance Force is exempt from paying any and all taxes on the salaries and emoluments paid to him/her by NATO/ISAF, NATO member States, and non-NATO member States participating in the International Security Assistance Force.

## II. RESTRICTIONS:

In the event that:

- a. NATO/ISAF freedom of movement is restricted, to include NATO/ISAF contractors or sub-contractors;

- b. Any personnel or organizations such as NATO/ISAF/local contractors or sub-contractors affiliated with NATO/ISAF are charged a special tax or higher tax rate due to their affiliation or relationship to ISAF, NATO, or a Troop Contributing Nation; or
- c. Collection of any withholding tax is attempted against any NATO/ISAF contractor or sub-contractors,

Then this 2011 Letter of Interpretation will revert back to the prior interpretation under which no personnel or contractors are subject to tax under the MTA.

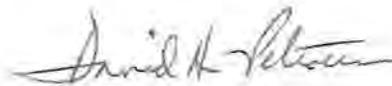
This Letter of Interpretation is not retroactive and does not subject any person, entity, or business to paying taxes prior to 21 March 2011 for work performed or services or goods provided on behalf of NATO/ISAF arising out of their MTA activities or employment.

### III. Smuggling:

Any evidence of NATO/ISAF tax exempt goods being sold on the commercial market will be reported to the designated ISAF Flag Officer in NATO/ISAF Headquarters. NATO/ISAF will issue an appointment letter for this officer under separate correspondence and update the point of contact information as required.

I look forward to continuing our mutually supportive relationship.

Very respectfully,

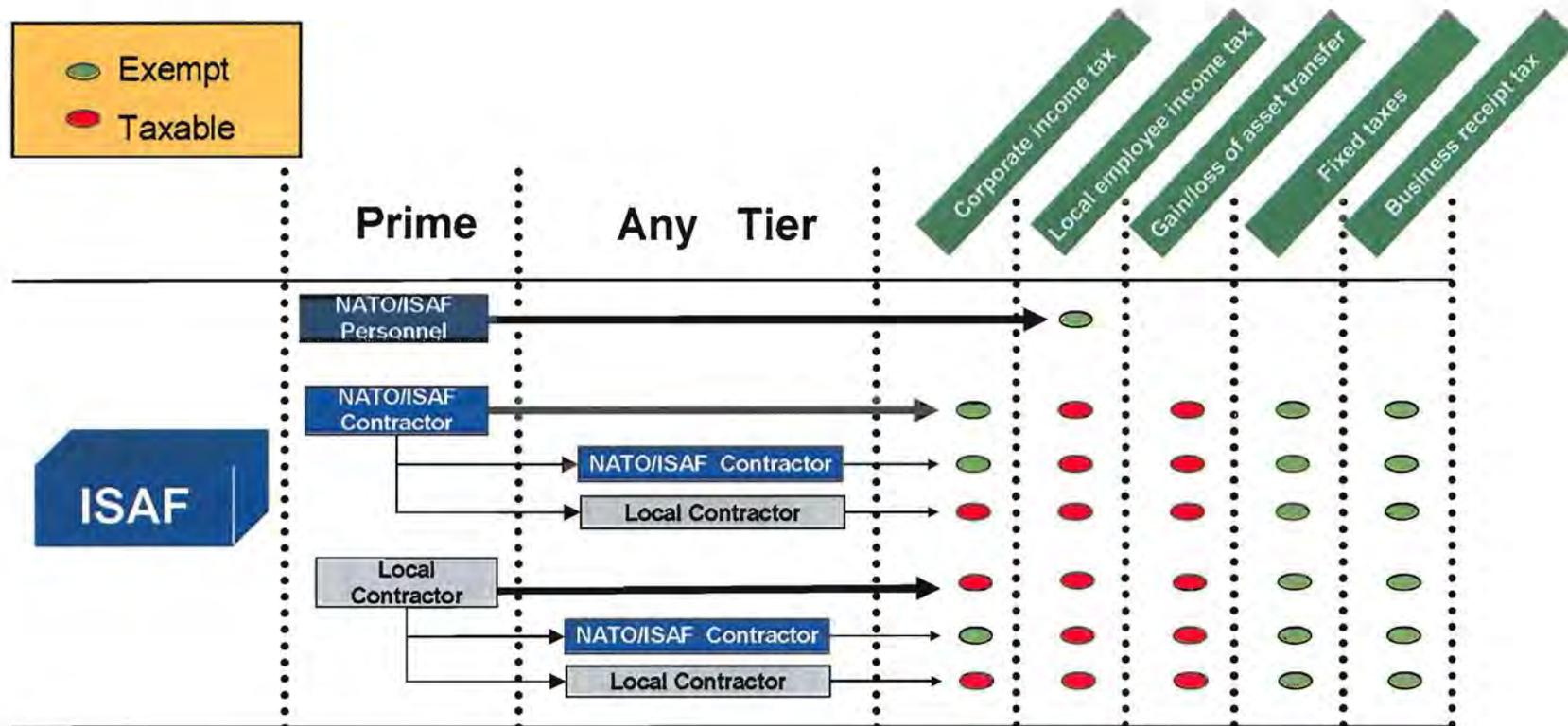


David H. Petraeus  
General, United States Army  
Commander  
International Security Assistance Force/  
United States Forces-Afghanistan

Encl:  
Annex A – Tax Matrix

CF:  
Office of the President,  
Minister of Foreign Affairs  
Office of the Attorney General

Annex A – Tax Matrix



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