

[By Pauline Jelinek](#)

A government watchdog is looking into Afghanistan's practice of taxing U.S. companies involved in America's multibillion-dollar effort to rebuild the war-torn nation.

The office of the Special Inspector General for Afghanistan Reconstruction will audit fees charged contractors by Kabul for supplies, materials and other items imported into Afghanistan or bought there, according to an inspector general memo obtained by The Associated Press.

The fees include tariffs, customs duties and other taxes that eventually come out of U.S. taxpayer dollars because they're charged to reconstruction projects run by the Pentagon, State Department or the U.S. Agency for International Development.

"This is a step in the right direction," said a statement from Democratic Rep. Peter Welch of Vermont and GOP Rep. Walter Jones of North Carolina. "We're hopeful this audit will and bring to an end the absurd practice by the Afghan government of taxing America's effort to rebuild their country.

"While such behavior may make sense in (Afghan President) Hamid Karzai's world, it makes no sense to the American taxpayer," they said.

The U.S. has appropriated roughly \$89.42 billion for Afghanistan reconstruction since 2002. But President Barack Obama is winding down the effort, having requested \$9.7 billion for reconstruction for the budget year beginning in October — a 34 percent reduction from the \$14.8 billion Congress provided for 2012.

It's unclear how much money has been collected by Kabul from contractors doing the work — building highways, schools, facilities for Afghanistan's growing security forces and so on. But a number of American contractors complained last year that they had received bills for overdue taxes and were threatened with arrest and revocation of their licenses to operate there.

Taxation of U.S. government assistance is prohibited by American law and bilateral accords between the United States and Afghanistan, officials say. But there has been disagreement from Afghans over what tax-exempt status means and who gets it.

According to a letter to the Pentagon, State Department and USAID notifying them of the audit, the special inspector general's office will begin work this month to determine:

What Afghan fees are levied on contractors and sub-contractors supporting U.S. reconstruction programs and the amounts collected.

Whether Afghan fees levied on contractors and sub-contractors violate international agreements.

What the impact will be on Afghanistan's operating budget from declining activity by the international coalition there and after the 2014 withdrawal of forces.

There was no date given for when the audit might be completed.

Welch and Jones also have been working to address the issue. In December, they introduced legislation to bar future assistance to Afghanistan unless U.S. contractors and subcontractors delivering aid are exempt from taxation by the government of Afghanistan. Welch and Jones successfully amended the National Defense Authorization Act - which passed the House last month - to include a similar provision.

Karzai also has gone head-to-head with Americans on other contractor issues, ordering that all new foreign development projects employ government security guards rather than those from private Afghan and foreign companies. Private development companies complained that the move would threaten billions in U.S. aid to the country because companies would delay projects or leave altogether out of fear they wouldn't be safe using strictly local security.

The Afghan government in late March gave companies extensions of varying lengths to make the change.