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# Development aid secondees to Indonesia taxable in Germany

**The Supreme Tax Court has held that the salary paid from German public funds to secondees to Indonesia in the course of an official development aid programme is taxable in Germany even if some of the time is spent on jointly financed projects and routine administration.**

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The double tax treaty with Indonesia provides that the salaries of specialists seconded by the German development aid agency to work in Indonesia on German-sponsored development aid programmes remain taxable in Germany unless the work is physically performed in Indonesia and the individual specialist is resident there and is not a German national. The German tax office of a specialist sent to Indonesia on a ten-month assignment as office manager claimed that these treaty provisions meant that his entire salary was taxable in Germany. He responded with the assertion that only 60% of his time hat been spent on projects solely funded by the development aid agency, the remainder being devoted to joint projects with other agencies and to general office admin. In consequence, 40% of his salary was taxable in Indonesia and should be free of German tax.

The Supreme Tax Court has now held in favour of the tax office. The salary concerned had been paid entirely from German public funds channelled through the development aid programme. The work assignment was the on-site management of that programme; thus the work had been performed in that connection. That some of the specific projects had been co-financed from other sources had no bearing on the individual's own salary that had not been so co-financed. Similarly, the office admin was part of the development aid programme even if it could not be allocated to specific projects. The entire salary was therefore taxable in Germany, assuming the local residence/nationality exception did not apply in the present circumstances.

Supreme Tax Court judgment I R 42/13 of July 7, 2015 published on November 11

**Keywords**

Indonesia, development aid