

## TERMS OF REFERENCE (ToR)

### TAX COMPLIANCE ADVISORY: FAIRTRADE STANDARDS FOR FLOWERS AND PLANTS ON BONUS PAYMENTS VIA PREMIUM COMMITTEES FOR FAIRTRADE-CERTIFIED FLOWER FARMS IN KENYA, UGANDA, AND ETHIOPIA.

#### 1. Introduction

Established in 2005, Fairtrade Africa is an independent non-profit umbrella organization representing all Fairtrade certified producers in Africa. Currently, the organization represents over 1,083,139 producers across 28 countries in Africa. Fairtrade Africa is owned by its members, who are African producer organizations certified against international Fairtrade Standards producing traditional export commodities such as coffee, cocoa, tea, cut flowers, cane sugar, wine, cotton, bananas, mango, pineapples and non-traditional commodities including shea butter, rooibos tea, vegetables and fresh and dry fruits.

Fairtrade Africa is made up of both Small Producer Organizations (SPOs) and Hired Labour Organizations (HLO). In HLOs, the focus is on supporting companies that employ hired labour to supply better working conditions for their workers while in SPOs the focus is on members who are smallholders who run their farms mainly using their own and their family labour.

#### 2. Assignment Background

Agricultural workers are among the most vulnerable workers in the world. Low wages is one of the many issues that define the precarious nature of agricultural labour, also in the Fairtrade system. Despite a vibrant Flower sector in Kenya, Uganda and Ethiopia, Flower Farm workers continue to earn 40%-60% below global living wage benchmarks in the respective countries. Fairtrade applies several strategies towards empowerment and improved wages for workers, among them Fairtrade Standards provisions such as Floor wage that protect workers from falling below the poverty line, benefits from Fairtrade Premium investments into social needs, and now, a proportion of Fairtrade Premium proposed to be paid out directly to workers as a cash bonus, herewith referred to as “**Fairtrade Bonus**”.

**Fairtrade Premium** is an **additional sum of money** paid on top of the Fairtrade selling price for Fairtrade-certified products. The Fairtrade premium is paid by the flower buyers into a **Fairtrade Premium Committee (FPC)** bank account, and workers democratically decide how to use the funds to improve their livelihoods and communities. According to the Fairtrade Standards, the Fairtrade Premium Committee is mandated to manage the **Fairtrade Premiums** on behalf of workers, and it is a registered legal body where workers are the sole owners and beneficiaries of Fairtrade Premiums.

The Fairtrade Bonus is backed by a new requirement 3.2.3 under the *Fairtrade Standards for Flowers and Plants*<sup>1</sup>, published in February 2025. The requirement makes it mandatory for partial distribution of Fairtrade premium as cash to workers. This will complement requirement 2.1.20 of the *Fairtrade Standard for Hired Labour*<sup>2</sup> that makes provision for optional cash distribution of Fairtrade Premium to workers.

Although the Fairtrade Bonus is not part of regular wages to workers, Fairtrade will consider the Fairtrade Bonus in Living Wage calculations, along with the other factors of Basic Wages and in-kind benefits in the Living Wage Framework. This is because even though the Fairtrade Bonus is not earned through employment, it is a form of transfer payment that increases the workers’ disposable income. By integrating these additional payments, the

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<sup>1</sup> Fairtrade Standard for Flowers and Plants

<sup>2</sup> Fairtrade Standard for Hired Labour

Fairtrade system ensures greater economic support, helping workers move closer to earning a sustainable living wage, while upholding Fairtrade's principles of fairness and equity.

The implementation of this requirement, however, poses potential tax obligations, statutory deductions and compliance risks related to income tax, payroll tax, employment law, and social protection systems in the respective countries. This is backed by the legal analysis report on a study commissioned by Fairtrade in October 2025, examining the regulatory frameworks governing Fairtrade Bonus payments to workers in Fairtrade-certified flower farms across Kenya, Uganda, and Ethiopia. The report further proposed a number of operationally feasible models for the distribution of the Fairtrade Bonus.

To operationalize the findings of the legal analysis, Fairtrade Africa seeks to engage a qualified tax consultant to provide an expert tax compliance advisory and practical recommendations for implementing the proposed models (and any other applicable model) for distributing the Fairtrade cash bonus, in a manner that safeguards both the producer organizations and the Fairtrade Committees.

### 3. Objective of the Consultancy

To provide an expert tax compliance advisory opinion and actionable recommendations for implementing the proposed Fairtrade bonus distribution models (and any other applicable model) across Fairtrade-certified farms in Kenya, Ethiopia, and Uganda, ensuring full compliance with all relevant tax laws.

#### Specific Objectives

- i. Conduct a desk review of the report on *“Legal Framework Analysis of Fairtrade Bonus Payments to Workers in Fairtrade-Certified Flower Producers in Kenya, Uganda, and Ethiopia”*.
- ii. Analyze the tax implications/obligations and compliance requirements for each of the proposed bonus distribution models, and other most applicable models.
- iii. Provide recommendations on the most appropriate tax-compliant model for Fairtrade Bonus payment for each country.

### 4. Scope of Work

The consultancy will employ a participatory multi-method approach, incorporating:

- i. **Document Review:** Evaluating tax frameworks in the three countries, review Fairtrade Standards and material relating to Fairtrade Bonus.

For **Kenya, Uganda, and Ethiopia**, determine:

- a. Whether the bonus qualifies as employment income or a non-wage benefit.
- b. Applicable taxes or deductions and thereof implications to Fairtrade certified farms.
- c. Whether FPCs, as semi-autonomous bodies, are subject to employer obligations.
- d. Required documentation, filing, or reporting obligations.
- e. Whether bonus payments must be consolidated with wages or handled separately.

- ii. **Stakeholder Consultations:** Conduct virtual or in-person interviews with Fairtrade Africa Flower team, selected Fairtrade-certified producers, FPC committees, and respective regulatory bodies.

- iii. **Compliance Framework**

- a. Identify risks related to non-compliance (legal, financial, administrative, reputational, etc) and mitigation measures.

### 5. Deliverables

- i. **Inception Report**, including methodology, workplan, and consultation plan.
- ii. **Draft Country-Specific Tax Advisory Reports** (Kenya, Uganda, Ethiopia).
- iii. **A summarized p (PPT) presentation to Fairtrade Africa** summarizing key findings and recommendations.
- iv. **Stakeholder validation** report with findings and recommendations.
- v. **Final Consolidated Report** incorporating all feedback. This will include: an executive summary, an abridged PowerPoint version, and the full comprehensive report (max 50 pages) covering study findings and recommendations.

## 6. Conditions of Engagement

**Duration:** The consultancy will be conducted over **4 – 6 weeks** from contract signing. A detailed timeline will be submitted in the inception report.

### Payment Schedule:

Milestone	Payment Percentage
Signing of contract and submission of approved methodology	20%
Submission of preliminary report	40%
Final report submission and validation workshop	40%

## 7. Consultant Qualifications

The consultant (or firm) must possess:

- i. Advanced degree in **Tax Law, Finance, Accounting, or related field**.
- ii. At least **7 years of professional experience** in taxation, labour law, or compliance in East Africa.
- iii. Demonstrated experience conducting **multi-country tax or legal studies**.
- iv. Strong familiarity with labour-related income structures and payroll taxation.
- v. Experience working with non-profit organizations and/or donor-funded projects.
- vi. Excellent analytical, communication, and report-writing skills.
- vii. Ability to conduct work across **Kenya, Uganda, and Ethiopia**.

## 8. Reporting and Coordination

- i. The consultant will report directly to the **Fairtrade Africa Flower Programme Manager**.
- ii. Regular progress meetings (virtual or in-person) will be organized.
- iii. FTA will facilitate introductions to Fairtrade flower farms and relevant stakeholders as applicable.

## 9. Ethical Considerations

- i. Maintain confidentiality of all Fairtrade, flower producers, and worker information.
- ii. Ensure impartiality and objectivity.

## 10. Submission Requirements

Interested consultants should submit the below through the email [procurementeastfrica@fairtradeafrica.net](mailto:procurementeastfrica@fairtradeafrica.net) and copy [l.mukami@fairtradeafrica.net](mailto:l.mukami@fairtradeafrica.net).

Include the following **subject line** to the email: **Fairtrade Bonus Tax Compliance Consultancy**.

Submissions must be received no later than **5<sup>th</sup> January 2026**.

- i. Technical proposal detailing interpretation of the ToR, methodology, workplan and tools to be used.

- ii. Financial proposal indicating all costs.
- iii. CV(s) of consultant(s) demonstrating relevant experience.

N/B Only shortlisted consultant(s) will be contacted.

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