

Tax Equalization — Staff Assessment Plan

The taxation of internationally recruited staff has been a continuing source of difficulty for the United Nations. When the United Nations was first established, it was decided to exempt all officials from the obligation of paying taxes. This was considered necessary to ensure that the "take-home pay" of members of the Secretariat performing similar duties would not differ because of the diverse tax laws or rates applicable in the many countries from which staff are recruited or in which United Nations offices are located. The principle of tax exemption was included in the Convention on Privileges and Immunities of the United Nations and all members were requested to accede.

By September 1950, only thirty-eight of the sixty members of the United Nations had acceded to the Convention. Of those acceding, three (including Canada) did so with the reservation that exemption from taxation imposed by their laws would not extend to their own nationals employed by the United Nations in their own country. The Canadian position was based on the objection to the creation of a "tax-free" class in Canada. The United States Government, which has not yet ratified the Convention, took a similar stand.

To meet these objections, the United Nations General Assembly instituted in 1948 a "staff assessment plan" under which all United Nations employees pay the organization an annual amount roughly equivalent to the taxes they would pay as citizens of the United States. The funds derived from these assessments are treated as miscellaneous income in aid of the budget.

For similar reasons, a "staff contributions plan", modelled on that of the United Nations, became effective on July 1, 1950, for the Secretariat of the International Civil Aviation Organization at Montreal. The rates of contribution under the plan are slightly higher than comparable Canadian income tax rates.

Since these assessments, in effect, constitute a "tax" on the employees of these organizations, the Canadian Government, in December 1949, amended the Canadian Income Tax Act. The amendment provides that Canadian nationals on the staff of an "international organization" will be given a credit on their Canadian income tax for the deductions made from their salaries under the staff contribution plan. In this way, the objection to a tax-free class has been met, while at the same time the inequities of double taxation have been avoided.

However, despite repeated assurances by United States delegations in the General Assembly, Congress has not yet passed legislation to deal with this matter. As a result, United States nationals on the Secretariat of the United Nations are now assessed by the organization and are also paying taxes to the United States Government without benefit either of full or partial relief from double taxation.

In order to maintain the salaries of these United States nationals at the intended level, the General Assembly from year to year, but with considerable reluctance, has authorized the Secretary-General