



**Australian Association of Former International Civil Servants
(AAFICS)**

**Summary of Submission from Australian Association
of Former International Civil Servants (AAFICS)**

Secretary to the Treasury,
Dr Ken Henry AC
Chairman of the Panel on Australia's Future Tax System
The Treasury
Langton Crescent
PARKES ACT 2600

20 November 2008

Ref. **Submission from Australian Association of Former
International Civil Servants (AAFICS) to Review Panel on
Australia's Future Tax System.**

Dear Dr Henry,

When the Howard Government announced its "Plan to Simplify and Streamline Superannuation" in May 2006, the Association of which I am president began seeking equitable and fair taxation treatment for the 500 retired former officials, representing Australia's quota of civil servants in the United Nations system who now reside in Australia.

More than two years after that announcement and the corresponding changes to the legislation, our retirees continue to be gravely concerned by the way their United Nations Joint Staff Pension Fund (UNJSPF) pensions are being inequitably taxed compared to the pensions of other Australians.

During Mr Howard's Government, our Association corresponded with numerous government representatives and department heads but the replies we received from Treasury did not address the issues we raised. They simply repeated that the taxation of pensions from foreign sources, including pensions from the United Nations Pension Fund, would not alter. This indicated that legislative changes were needed to address the issue. Given your current Panel Review remit, now would seem the appropriate time to formally raise the matter again.

Prior to and after the election of Mr Rudd's Government in November 2007, we corresponded with the Minister for Superannuation and Corporate Law, Senator Nick Sherry, putting our case before him and asking for a more equitable tax treatment. Of particular note was a positive response received from Senator Sherry stating "In 1988 the government ruled that the UNJSPF be

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denied the 15% pension and annuity rebate like other public servants on *untaxed schemes*. Hence it would seem appropriate that the UNJSPF would now be treated the same as other public servant *untaxed schemes* and receive the 10% tax offset". Our correspondence, including submissions to Senator Sherry is therefore attached for your consideration.

In support of our case and to highlight the concern of our self-funded UN retirees, I want to summarise our three main points as follows;

- Pensions paid by the UNJSPF to retired international civil servants, have attracted considerably higher taxes than pensions paid to direct counterpart Australian civil servants receiving pensions from comparable schemes such as the Commonwealth Superannuation Scheme. In effect, our UN pensioners pay 10% more in tax than a pensioner paid from the CSS.
- While the pensions paid by UNJSPF to retirees in Australia vary for each individual, depending on the length of service with a given UN agency and the level of salaries they were paid, information we have received from the UNJSPF Fund Secretariat indicates that the average UN pension paid in Australia would be around A\$28,000 per annum. At this level, tax on a UN pension is some six times the tax paid on a pension of the same amount to a retired Australian civil servant. In other words, services provided by the Australian Government cost a UN retiree six times as much as a retiree from the Australian civil service.
- UN retirees in Australia should not be placed in the same tax category as other seniors who have retired in Australia and receive their pensions from other countries or foreign organisations. During their UN working life, all Australian UN retirees have contributed some 30% of their gross salaries to the Australian Government through the mechanism known as the UN Staff Assessment. This is used to offset Australia's annual UN dues.

As you will see from the attached correspondence with the Minister for Superannuation, we are not seeking tax abolition for our pensions but ask that equity and fairness be extended to this, relatively small but significant, component of Australian society. Australia's international civil servants, in their work to improve the quality of life for people in all parts of the world, have helped promote the values that Australia stands for, and sustained its reputation wherever they have been. We believe that in your Future Tax System Review it is essential that you consider and include fair and just consideration for the Australians who have loyally served the United Nations and their country and have now retired here. Such action would clearly emphasise the importance that the Australia Government once again places on the United Nations.

Whilst we realise that the time for initial public submissions has passed, we note that your Panel is willing to accept and consider submissions at any time and I thank you for this opportunity to

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present our case.

Yours faithfully,

Mary Johnson

President, Australian Association of Former International Civil Servants (AAFICS)

Vice President of the Federation of Associations of Former International Civil Servants (FAFICS, Geneva)

FAFICS additional representative to the 2009 meeting of the Board of the United Nations Joint Staff Pension Fund (UNSPF, New York)

5/4 New McLean Street
Edgecliff, NSW, 2027

Addendum - December 2008

In further support of AAFICS request for a more equitable taxation treatment of the UN pensions for Australian retirees here, we would like to also add the following further information:

During their working lives in the UN system, staff members and the UN organisation for which they work both contribute to the UNJSPF. Member states, including Australia, also actively participate in the management of the Pension Fund. Australia, together with other Member States, is thus involved in both the management and the funding of the UNJSPF. Of course Australia also pays an annual obligatory contribution to each UN organisation, these funds being partly used to pay both the salaries and the organisation's pension contributions for each staff member. It can therefore not be claimed that former staff members receive a "foreign pension."

Summary Submission & Attachments.

- 1 Summary of AAFICS' Submission to AFTS
- 2 Latest AAFICS letter addressed to Hon Nick Sherry Aug 2008).
- 3 Summary of AAFICS' Position on the Taxation of United Nations Pensions in Australia.
- 4 Three supportive letters for the AAFICS' case
 - 4a Senator Nick Sherry (now Minister for Superannuation & Corporate Law)
 - 4b Melissa Parke, Federal MP for Freemantle

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- 4c** Professor John Langmore, President of the
UN Association of Australia.



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The Hon Nick Sherry
Minister for Superannuation & Corporate Law
Parliament House Office
PO Box 6022
Parliament House
Canberra ACT 2600

Ref: Australian Retirees from the United Nations – Superannuation Tax

Dear Minister Sherry,

We have already corresponded with you on the taxation of UN system pensions in Australia and have very much appreciated the real support that you gave us while in Opposition. Now that you are in Government, we look forward to the further support necessary to resolve the matter. While we understand that the issue may be subsumed into other comprehensive reviews that are currently underway, we believe that these will not be completed for some time (perhaps one to two years). In view of the fact that modifying the way that UN system pensions are taxed in Australia would not seem to present any special technical problems, the members of our Association are formally applying to you through this letter, for a policy decision to resolve the issues we have raised, without waiting for the results of other comprehensive Government reviews.

AAFICS currently represents the interests of 580 UN system retirees resident in Australia; they receive pensions from the United Nations Joint Staff Pension Fund (UNJSPF). Under the Australian superannuation law, as revised in July, 2007, these retirees receive no tax benefits and are obliged to pay income tax at the marginal rate. As you know, Australian members of taxed superannuation funds pay no tax on their pensions and former members of untaxed super funds, such as retired Commonwealth public servants, receive a 10% tax rebate. In the interest of fairness, we strongly urge that the same treatment be accorded to Australian retirees of the UN family as to Commonwealth public service retirees.

Several approaches were made to the highest levels of the Howard Government during its last years in office (Prime Minister, Minister for Foreign Affairs, Treasurer, Tax Commissioner). It seems that the main reason for the Government's (essentially

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Treasury's) refusal to grant UN retirees any tax concessions is that UN pensions are considered to be "foreign sourced," as they come from New York or Geneva. It also seems that this is a policy rather than a technical matter.

The Rudd Government has expressed its strong support of the United Nations family. Furthermore, AAFICS has received considerable in-principle support for its pension policy from yourself and from Michael Danby, MP, who has met with two of our members and sent some questions about the matter to Canberra for Question Time before the last election in May, 2007.

Why UN system pensions should not be considered as "Foreign Sourced Pensions."

1. Australian UN retirees do not receive their pensions from either a foreign government, nor from a private company, but from the United Nations Joint Staff Pension Fund (UNJSPF). The UN and its Agencies are international bodies whose income comes from its Member States. Australia is one of these and contributes to both the funding and the management of the UN and of each UN agency of which it is a member.
2. During their working lives in the UN system, staff members and the UN organisation for which they worked both contribute to the UNJSPF. Each organisation contributes as well as the staff member, each month. Member States, including Australia, also actively participate in the management of the Pension Fund. Australia, together with other Member States, is thus involved in both the management and the funding of the UNJSPF. Of course, Australia also pays an annual obligatory contribution to each UN organisation of which it is a member, these funds being partly used to pay both the salaries and the organisation's pension contributions for each staff member. It can, therefore, not be claimed that former staff members receive a "foreign pension."
3. In lieu of income tax, U.N. staff members pay a 'Staff Assessment' which is deducted from their salaries each month. This depends on their grade and years of service, varying from 18 to 38% of gross salary for professional staff. Depending on the UN Organisation, these payments are either directly or indirectly returned to the Member State. Australian citizens thus contribute a part of their income to the Australian Treasury, though they do not pay formal income tax in Australia.

1. The UNJSPF invested some US\$ 705 million, representing 1.74 % of its total investments, in Australian equities and bonds, as of March, 2008.
2. The average annual benefit paid to Australian UN system retirees is approximately A\$26,000. This amounts to in excess of A\$15 million entering the Australian economy every year, on a continuing basis (UN retirees who move overseas or pass away are approximately replaced by newly retiring Australians from the UN system).

Our members feel very strongly that Australian retirees of the United Nations System are being seriously discriminated against in Australia, despite having retained all their qualities as Australians while in the UN system and having been appreciated and respected as such in both the headquarters of UN organisations and in many developing nations in which these organisations work. Furthermore, Australians will in the future be discouraged from retiring in Australia because of the discriminatory tax regime that is applied to them, compared to other Australian retirees.

We would now be very grateful if you could give this matter a high priority as a matter of urgency, and request that the Commissioner of Taxation and the Treasurer treat UN system retirees in the same way as Australian retirees who have paid into an untaxed super scheme, i.e. that they receive a 10% income tax rebate. We have demonstrated quite clearly that the Australian Treasury benefits sufficiently from the United Nations Joint Staff Pension Fund to afford a 10% tax rebate for the Australian UN system retirees who now live in Australia and that UN system retirement benefits can in no way be regarded as “foreign sourced pensions.” We believe that this decision, as it concerns a matter of policy, can be made very quickly and does not need to await the outcome of any long-term government reviews.

With kind regards and great expectations,

Yours sincerely,

Mary Johnson
President, Australian Association of Former International Civil Servants
Vice-President, Federation of Associations of Former International Civil Servants, Geneva
Supplementary Representative (2009), Board of the UNJSP.

Sydney 6 August 2008



**Australian Association of Former International Civil Servants
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**SUMMARY OF AAFICS' POSITION ON THE TAXATION
OF UNITED NATIONS PENSIONS IN AUSTRALIA**

The introduction on 1 July 2007 of taxation law which discriminates against retired persons who have been part of the quota of Australians working in the United Nations system, denies the fundamental rules of equality of treatment in taxation and fair and equitable treatment as Australian citizens. Retired United Nations officials in Australia should be exempted from treatment as beneficiaries of foreign incomes. The around 500 current residents of Australia who receive a UN pension should be accorded the same taxation treatment as those receiving pensions from Australian untaxed schemes such as the Commonwealth Superannuation Scheme, as well as the UPP already accorded.

The reasons for this are: The Australian government participates in the United Nations Joint Staff Pension Fund financially through its contributions to the United Nations and its Specialised Agencies. The Australian government participates in and votes on resolutions establishing UN employment conditions and the UN pension system. The Australian government therefore participates both in funding and administering the UN Pension Fund. This is not the case in respect of pension or superannuation schemes operated for the benefit of retired staff of multinational corporations or other foreign pension schemes.

The UN Pension Fund is a fully funded scheme and has substantial investments in Australia. The 500 current beneficiaries of a UN pension do not constitute a liability for Australia and make a modest contribution to the balance of payments.

Placing the retired officials of the United Nations multilateral system in the same taxation category as persons who receive a post employment income from multinational corporations, contradicts the status of Australians working as part of Australia's quota of nationals in the UN system.

During their employment in the United Nations system, all the persons now retired to Australia were subject to a form of income tax known as staff assessment. Under this arrangement Australia receives full credit for its share of staff assessment in the form of a deduction from, or reduction of, its assessed financial contributions. No such arrangements are provided by multinational corporations.

Inequality of treatment in taxation will have a detrimental effect on the future recruitment of Australians to United Nations organizations and will act as a deterrent to the desire of qualified and experienced Australians to work in these organizations. We are convinced that the new Labor government intends Australia to play a greatly enhanced and active role in the international system of cooperation. The message that Australians in the United Nations system who return home to retire will not be penalized by the taxation system but will receive fair and equitable taxation treatment will be one of the most immediate and sincere ways of showing this.

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A paper on the taxation treatment of retired United Nations staff residing in Australia, prepared by the Australian Association of Former International Civil Servants (January 2008)

This paper sets out information on those aspects of the United Nations system and its Pension Fund which may be of use to the Treasury Department and the Australian Taxation Office, in reviewing the taxation treatment of former United Nations officials who now permanently reside in Australia.

In preparing this paper we have been greatly encouraged by communications received in the 18 months prior to the November 2007 elections, from Senator Nick Sherry of Tasmania, now Minister with responsibilities for Superannuation and Corporate Law.

We believe the information given in the paper is factual and would like to assist in providing any additional information that may be needed.

Who are the United Nations retirees in Australia

As of 1 November 2007 there were residing in Australia around 500 persons who receive a monthly benefit paid from New York by the United Nations Joint Staff Pension Fund. This benefit varies on the basis of the number of years of service in the United Nations system, and the grade/salary level at which the official worked. Surviving spouses are included in the total, and receive half of the full retirement benefit that would have been paid to the official. Many Australians are recruited to the United Nations after lengthy work experience in Australia and therefore their relatively low monthly benefit from the United Nations reflects the fact that many of them may have only started to accumulate UN pension rights after the average age of 40 and until the mandatory retirement age of 60 or 62.

Many were originally seconded to the United Nations organization or one of its Specialised Agencies from federal or state public service, or from an academic or research institution with an area of specialization required by the United Nations system. Through this process they have become part of Australia's quota of international civil servants, the total number of which is related to the amount of dues Australia pays to the United Nations and each of its Specialised Agencies. This point is emphasised because the Australians working in the UN system are officially recognized as doing so and indeed encouraged to do so, by the Australian government. While DFAT and the various Australian diplomatic missions to the UN keep a tally of their names and numbers during their working life, they are then categorised in a way which detracts from this, when it comes to their post employment conditions.

During the Howard government Treasury placed in the same category Australians who have worked for foreign multinational corporations, and Australians who have worked within the multilateral system. This is profoundly in antithesis to the spirit, nature and conditions of the work that the Australians within the UN system consider they have carried out on behalf of Australia and its role in multilateral cooperation, and contradicts the concept of an official quota of Australians working in the United Nations system.

What is the United Nations Pension Fund

The UN Pension Fund is a fully funded scheme, established by the United Nations General Assembly in 1949 to provide retirement, death, disability and related benefits for officials of the

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United Nations and the other organizations admitted to membership of the Fund. It is administered by a Board, a staff pension committee for each member organisation and a secretariat. The United Nations Pension Fund Board reports to and formulates recommendations for approval by the UN General Assembly, of which Australia has been a member since its inception. The Board is composed of 33 members, eleven of these represent governing bodies of various UN agencies; eleven are appointed by the chief administrative officers of the member organizations and eleven are members elected by participants in service. In addition there are four representatives of retirees on the Pension Board.

The UN Pension Fund has substantial investments in Australia.

As at 31 March 2008 these amounted to USD 704,877,914.00, spread over Australian Equity USD 632,073,309.00; Bonds \$ 72,804,605.00, representing 1.74 per cent of the total UNSPF investments.

By agreement between the Australian government and the United Nations, income on UNJSPF investments in Australia is not subject to Australian tax. The UN Pension Fund is therefore an Untaxed Scheme.

The UN Pension Fund is balanced, mature and well administered. As at November 2007 its global worth was USD 41 billion. UN officials retiring in Australia do not represent a future liability on the Australian taxpayer. UN pensions paid into Australia have a modest but positive effect on Australia's balance of payments.

The value of the monthly benefits paid to 373 residents of Australia in April 2008 was USD 726,757.49.

How salaries are set in the United Nations system

All employees of the United Nations on other than casual contracts must meet the obligation of contributing to the UN pension scheme and to UN approved health insurance. Employee contributions to the pension scheme are deducted from the monthly net salary after deduction of the staff assessment (see below and annex 1) at rates applicable to the level of salary of the employee. Employing organisations also contribute to the pension scheme for each employee.

Because the only funds available to the various organizations and agencies that make up the United Nations are the funds provided by its Member States, it follows that each Member State through its annual dues to each UN organization, is in effect contributing to that organisation's monthly contribution to the UN Joint Staff Pension Fund, alongside the staff member's contribution. In other words, the Australian Government actually contributed to part of each pension that Australian staff members receive from the UN Pension Fund on retirement. The definition of a UN pension as a "foreign-sourced pension" is therefore not accurate, and harms the eligibility of UN retirees in Australia to receive the 10 per cent tax offset that members of untaxed funds, such as Commonwealth public servants, receive under the new superannuation rules.

Taxation of United Nations salaries

Salaries paid to officials working in the United Nations organization and its Specialised Agencies and other organizations forming part of the "Common System" are subject to a taxation regime referred to as Staff Assessment under the conditions set out in the UN Staff Rules and Regulations. Details are given in Annex 1.

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The revenue credited from Staff assessment is placed in a Tax Equalization Fund by some parts of the UN (the UN Organisation, FAO, WHO and ICAO) (see details in Annex 2). Other UN organizations which through decisions of their Governing Bodies have not established Tax Equalisation Funds, budget their staff costs and assess their Member States' financial contributions on the basis of net salaries after deduction of staff assessment. The benefit is then passed on to the Member States at the time their financial contribution is assessed. Australia's annual financial contribution to the United Nations Organisation, shows that in 2006 USD 3,474,414 was credited against the assessed contribution. To this can be added the amounts credited against Australia's annual financial contributions to the other UN Specialised Agencies of which it is a Member. A letter on this issue from the International Labour Office is attached concerning its retired staff.

There are a few Member States which subject United Nations officials who are their citizens to both staff assessment and to national income taxation in respect of their United Nations salaries and emoluments. The UN official who is subjected to double taxation is entitled to a refund of either the amount of staff assessment collected from her/him or the amount of national taxes according to the circumstances (see Annex1). The United Nations Organisation, the FAO, WHO and ICAO, pay this from their Tax Equalisation Funds. The other UN Specialised Agencies charge the amount of the taxes to be refunded to the taxing Member State under Tax Reimbursement Agreements entered into between the Member State and the UN organization concerned.

The Taxation of UN pensioners in different countries

Some countries officially exempt UN pensions from income tax: Austria, Chile, Hungary, India, Singapore and recently Spain. In other countries there is partial taxation of UN pensions: Germany, Denmark, the Netherlands and Sweden.

In Australia beneficiaries of UN pensions are allowed a deduction for the Undeducted Purchase Price (UPP) of their pension, based on the value of the contribution each UN employee has made to the UN Pension Fund during the staff member's working life. However, the UPP is not indexed, is subject to the fluctuations in the US dollar/Australian dollar rate of exchange, and in the course of time represents a shrinking percentage of the UN pension which is indexed.

What are we asking for

During the Howard government, AAFICS entered into correspondence with the Office of the Treasurer, following submissions AAFICS made on behalf of UN retirees in Australia about the proposals to reform the Australian superannuation system. On 11 January 2007 the Office of the Treasurer replied that "The taxation of pensions received from foreign sources, including pensions paid by the United Nations Joint Staff Pension Fund, will not change under the reforms." AAFICS also wrote to the Prime Minister's Office and DFAT, which directed the letters on to Treasury.

We ask instead that retired United Nations officials in Australia be exempted from being treated as beneficiaries of foreign pensions. We ask that they be granted the same taxation conditions as the beneficiaries of the Commonwealth Superannuation Scheme, namely the 10 per cent tax offset. The beneficiaries of a UN pension should be accorded the same taxation treatment as those receiving pensions from Australian untaxed schemes.

The reasons for this are:

The Australian government participates in the United Nations Joint Staff Pension Fund financially through its contributions to the United Nations and its Specialised Agencies, and maintains

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management overview through the UN General Assembly and its committees, including the International Civil Service Commission. The Australian government participates in and votes on resolutions establishing employment conditions and the UN pension system. The Australian government therefore participates both in funding and administering the UN Pension Fund. No foreign pension scheme has these attributes.

Placing the retired officials of the United Nations organizations and agencies (that is, the multilateral system of cooperation) in the same taxation category as persons who receive a post employment income from multinational corporations, contradicts the status of Australians working in UN organisations and agencies as part of Australia's official quota of nationals in the UN system.

The UN Pension Fund has substantial investments in Australia and the 500 beneficiaries of a UN pension do not constitute a future liability for Australia.

During their employment in the United Nations system, all the persons now retired to Australia were subject to a form of income tax known as staff assessment (see above). Under this arrangement Australia, which does not double tax its nationals by the imposition of direct taxes on their net UN salaries, is entitled to receive full credit for its share of staff assessment in the form of a deduction from or a reduction of its assessed financial contributions to each of the organizations which form the UN system.

The introduction on 1 July 2007 of discriminatory treatment in taxation law against Australians who have been part of the official quota of Australians working in the United Nations system, denies the fundamental rules of equality of treatment in taxation and equity.

Lastly, our Association foresees the long-term detrimental effect that inequality of treatment in taxation will have on the future recruitment of Australians to United Nations organizations. Such inequality of taxation on retirement and return to Australia will surely act as a deterrent to the desire of qualified and experienced Australians to work in multilateral organizations and will negatively affect the role Australians and Australia play in the international system of cooperation.

What is AAFICS

United Nations system officials who have retired and who reside permanently in Australia are represented by the Australian Association of Former International Civil Servants. AAFICS in turn is a member of the global Federation of Associations of Former International Civil Servants, which is the official representative of the retired persons on the Board of the United Nations Joint Staff Pension Fund. The current President of AAFICS is also currently Vice Chairman of FAFICS.

This paper is presented by

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And

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Background information on United Nations salaries and taxation

All facets of staff employment conditions are subject to the International Civil Service Commission, which regulates and coordinates the conditions of service of the United Nations "Common System". The ICSC may take decisions directly or make recommendations to the UN General Assembly which acts as the legislator for the entire UN system. The arrangements to salaries, allowances and benefits provided to all the staff of the various United Nations organisations and Specialised Agencies. The Common System is designed to avoid serious discrepancies in terms and conditions of employment, and to avoid the individual agencies of the UN system competing for staff, and to facilitate transfer of staff among the different parts of the UN. The Common System applies to the over 60,000 officials serving in over 600 duty stations worldwide, including all Australians working in the UN system.

ANNEX 1

Staff Assessment

Extract from the Staff Regulations of the United Nations, established by the General Assembly in accordance with Article 101 of the Charter of the United Nations:

Regulation 3.3

An assessment at the rates and under the conditions specified below shall be applied to the salaries and such other emoluments of staff members as are computed on the basis of salary, excluding post adjustments, provided that the Secretary-General may, where he or she deems it advisable, exempt from the assessment the salaries and emoluments of staff members engaged at locality rates.

(i) The assessment shall be calculated at the following rates for staff members whose salary rates are set forth in paragraphs 1 and 3 of annex I to the present Regulations: (Professional and higher categories)

Staff assessment rates used in conjunction with gross base salaries (effective 1 March 2000)

Staff assessment rates for staff member with dependents

Assessable payments

(United States dollars) (percentage)

First 30,000 per year 18

Next 30,000 per year. 28

Next 30,000 per year. 34

Remaining assessable payments 38

Staff assessment amounts for those with neither a dependent spouse nor a dependent child would be equal to the differences between the gross salaries at different grades and steps and the corresponding net salaries at the single rate.

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(ii) The assessment shall be calculated at the following rates for staff members whose salary rates are established under paragraph 6 of

annex I to the present Regulations: (General service staff)

Total assessable payments

(United States dollars) (percentage)

Up to 20,000 per year 19

20,001 to 40,000 per year 23

40,001 to 60,000 per year 26

60,001 and above per year 31

The Secretary-General shall determine which of the scales of assessment set out in subparagraphs (i) and (ii) above shall apply to each of the groups of personnel whose salary rates are established under paragraph 5 of annex I to the present Regulations; (Personnel specifically engaged for short-term missions, conference and other short-term service, consultants, Field Service personnel and Technical Assistance experts)

In the case of staff members whose salary scales are established in currencies other than United States dollars, the relevant amounts to which the assessment applies shall be fixed at the local currency equivalent of the above mentioned dollar amounts at the time the salary scales of the staff member concerned are approved;

(c) In the case of a person who is not employed by the United Nations for the whole of a calendar year or in cases where there is a change in the annual rate of payments made to a staff member, the rate of assessment shall be governed by the annual rate of each such payment made to him or her;

(d) The assessment computed under the foregoing provisions of the present regulation shall be collected by the United Nations by withholding it from payments. No part of the assessment so collected shall be refunded because of cessation of employment during the calendar year;

(e) Revenue derived from staff assessment not otherwise disposed of by specific resolution of the General Assembly shall be credited to the Tax Equalization Fund established by General Assembly resolution 973 A (X);

(f) Where a staff member is subject both to staff assessment under this plan and to national income taxation in respect of the salaries and emoluments paid to him or her by the United Nations, the Secretary-General is authorized to refund to him or her the amount of staff assessment collected from him or her provided that:

(i) The amount of such refund shall in no case exceed the amount of his or her income taxes paid and payable in respect of his or her United Nations income;

(ii) If the amount of such income taxes exceeds the amount of staff assessment, the Secretary-General may also pay to the staff member the amount of such excess;

(iii) Payments made in accordance with the provisions of the present regulation shall be charged to the Tax Equalization Fund;

(iv) A payment under the conditions prescribed in the three preceding subparagraphs is authorized in respect of dependency benefits and post adjustments, which are not subject to staff assessment but may be subject to national income taxation.

ANNEX 2

Tax Equalization Fund

Extract from the Financial Regulations and Rules of the United Nations

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Regulation 4.10. There shall be established a tax equalization fund to which the staff assessment deductions from those staff salaries financed from assessed contributions shall be credited. Within the Tax Equalization Fund, revenue shall be recorded as credits to Member States and divided among them in accordance with the proportions approved by the General Assembly for the relevant rates of assessments. All credits shall pertain to a specific year and shall be calculated in accordance with the rates of assessments approved for that same year; prior-period adjustments shall also observe this principle.

Use of the Tax Equalization Fund

Regulation 4.11. Tax Equalization Fund revenue shall be used to refund staff members for income taxes levied by Member States in respect of their United Nations remuneration.

Obligations shall be established against the Tax Equalization Fund to cover the estimated liabilities in respect of the refunds made to staff members of those income taxes.

If a Member State's credit in the Tax Equalization Fund is insufficient for this purpose, the shortfall shall be added to and recovered from assessed contributions due from that Member State in the subsequent financial period.

Where income tax is levied on staff financed from sources of funds that do not contribute to the Tax Equalization Fund, the additional costs for tax reimbursement shall be borne by those sources of funds.

Regulation 4.12. In accordance with regulation 3.2, any balance on a Member State's tax equalization account after the obligations referred to in regulation 4.11 have been satisfied shall be credited against the assessed contributions due from that Member State the following year



SENATOR NICK SHERRY, Tasmania
Shadow Minister for Superannuation and Intergenerational Finance;
Banking and Financial Services

21 August 2006

Mr Michael Patto
37 Lomond Drive
Glen Waverley
Victoria 3150

Dear Mr Patto,

Re: Taxation treatment of UNJSPF untaxed pensions

Your letter concerning the proposed budget plan and tax treatment of untaxed public sector schemes, in your case the United Nations Fund has been referred onto me by your local Labor member, Mr Alan Griffin MP.

In your submission to Treasury you have raised the issues of the government's proposal for a 10% tax offset for 'untaxed' pensions which, if legislated, will generally apply to public servants.

Given the stated view of the Treasurer's office, in the correspondence you attached, it would seem consistent that such schemes as the UNJSPF should be eligible for the 10% tax offset.

† In 1988 the government ruled that the UNJSPF be denied the 15% pension and annuity rebate, like other public servants on 'untaxed' schemes. Hence it would seem appropriate that the UNJSPF would now be treated the same as other public servant 'untaxed' schemes and receive the 10% tax offset.

Labor whilst generally supportive of the general approach will determine whether amendment is required when the draft legislation and costings are published.

Thank you for drawing the issue to my attention

Sincerely yours

Senator Nick Sherry

Cc: Alan Griffin MP



Melissa Parke MP

FEDERAL MEMBER FOR FREMANTLE

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16 September 2008

The Hon Nick Sherry
Minister for Superannuation and Corporate Law
Parliament House Office
Parliament House
Canberra ACT 2600

Dear Nick

Re: Australian retirees from the United Nations: Superannuation tax

I write further to a letter to you dated 6 August 2008 from Mary Johnson, President of the Australian Association of Former International Civil Servants concerning the above-referenced subject matter.

As a recent former United Nations staff member, I fully support Ms Johnson's submission and can attest to the veracity of its content.

Australians working for the UN are international civil servants but their nationality is taken into account in recruitment, promotions and other decisions due to the requirement for geographic distribution in staff recruitment.

Placing the retired officials of the United Nations organizations and agencies (that is, the multilateral system of cooperation) in the same taxation category as persons who receive a post employment income from multinational corporations contradicts the status of Australians working in UN organisations and agencies as part of Australia's official quota of nationals in the UN system.

Australians working for the UN do not pay formal income tax in Australia, however, the UN compulsorily deducts from all UN staff a staff assessment – roughly equivalent to taxation rates in Australia (but without permitting tax deductibility of expenses) – that is then paid to the Member State from which the staff member comes. The staff member is for all intents and purposes treated as an Australian for the entire period they are employed by the UN.

UN pensions should not be considered as "foreign-sourced", as they do not come from a foreign government or a private company, but from the United Nations Joint Staff Pension Fund, the income of which comes from the staff members themselves and from the UN, to which Australia pays an annual obligatory contribution. Member States, including Australia, also actively participate in the management of the UN Pension Fund.

Atwell

Aubin Grove

Banjup

Beaconsfield

Beeliar

Bibra Lake

Bicton

Coogee

Coolbellup

East Fremantle

Fremantle

Hamilton Hill

Hammond Park

Henderson

Hilton

Jandakot

Kardinya

Munster

Naval Base

North Fremantle

North Lake

O'Connor

Palmyra

Rottnest Island

Samson

South Fremantle

South Lake

Spearwood

Success

Wattleup

White Gum Valley

Willagee

Yangebup

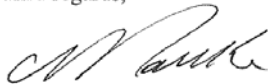
The 580 UN retirees resident in Australia are people who have devoted a considerable part of their lives to the betterment of humankind in some of the world's most inhospitable places, and they have done that as Australians. I don't believe they should be treated less fairly than other Australians under our superannuation and tax system.

I support the request of Ms Johnson on behalf of the Australian Association of Former International Civil Servants that retired United Nations officials in Australia be exempted from being treated as beneficiaries of foreign pensions and that they be granted the same taxation conditions as the beneficiaries of the Commonwealth Superannuation Scheme; namely the 10 per cent tax offset. The beneficiaries of a UN pension should be accorded the same taxation treatment as those receiving pensions from Australian untaxed schemes.

Given the small numbers of people involved and the *sui generis* nature of the issue, it would seem unnecessary for this matter to be subsumed within the comprehensive review of the tax system that is underway and which may take some time to complete.

I would therefore be grateful if you could review this matter at your earliest convenience and take the appropriate action.

Kind regards,

A handwritten signature in black ink, appearing to read 'Melissa Parke', with a stylized, flowing script.

Melissa Parke
Federal Member for Fremantle



**United Nations Association of Australia
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Friday, 19 September 2008

Senator the Hon Nick Sherry
Minister for Superannuation and Corporate Law
Parliament House
Canberra ACT 2600

Dear Minister

I write in relation to the taxation of superannuation of Australian retirees from the United Nations.

These former UN staff should be treated in the same way as Commonwealth superannuants, since they have, through the payment of the UN staff assessment paid the equivalent of Australian taxation throughout their employment in the UN. These assessment payments are credited to the member state from which the staff person came and the national dues are then reduced. For example I understand that in 2006 Australia's assessment of A\$37m was reduced by the A\$4m of staff assessment which was collected from staff in lieu of national tax, so that Australia's net actual contribution was A\$33m. It is therefore simply a matter of equity to treat UN staff in the same way as Commonwealth Public Servants in relation to superannuation.

Ms Mary Johnson, President of the Australian Association of Former International Civil Servants has effectively outlined to you the other reasons for swift correction of the current anomaly. I simply want to add the voice of the UN Association of Australia to advocacy of removal of this injustice – and discouragement to Australians from seeking employment in the UN system.

With best wishes

Yours sincerely

Professor John Langmore
National President