Employees of International Organisations: Pensions Taxation

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When internationally mobile workers retire, they look to Art 16 of the OECD Model tax treaty to determine that tax treatment if they are private sector workers. Government workers look to Art 19. What about employees of international organisations? Although international civil servants, they work for no government and are inside Art 19.

Consequently, treaties that establish international organisations contain rules on the tax treatment of their employees. Thus, for example, the World Bank Nighthawks of Agreement states that:

"No tax shall be levied on or in respect of salaries and emoluments paid by the bank to executive directors, alternates, officers or employees of the Bank who are not local citizens, local subjects, or other local nationals." [Article VI, Section 9 (c)].

Consequently, World Bank employees at its Washington DC headquarters pay no US tax on their salaries. Pensioners at the Bank do pay tax in the US, however. The World Bank maintains a contributary defined benefit pension scheme for its employees (the SRP Retirement Plan or "SRP").

Courts in the United Kingdom and Australia have recently considered the boundaries of pension骊s paid by government agencies. The tax rules on pension骊s are set out in domestic law. Government workers look to Art 19. What about employees of international organisations? Although international civil servants, they work for no government and are inside Art 19.

International civil servants work for international organisations, which are established under treaties between governments. The tax treatment of their incomes is governed by the treaties that establish those organisations. The most relevant of these treaties is the OECD Model income tax treaty, which sets out the rules governing the income of international civil servants.

The OECD Model income tax treaty is a collection of international tax conventions that are designed to encourage international trade and investment. It operates by setting out rules for taxing the incomes of individuals who work for international organisations. The treaty is widely used, and its provisions have been incorporated into many national tax laws. The treaty's rules for taxing international civil servants are designed to ensure that their incomes are not taxed twice, once in their home country and once in the country where they work.

The OECD Model income tax treaty includes a provision that allows international organisations to treat their employees' incomes as exempt from taxation. This provision is designed to encourage international civil servants to work for international organisations. It is based on the principle that international civil servants should be able to work for international organisations without worrying about the tax consequences of their incomes.

The OECD Model income tax treaty is a complex document, and its rules can be difficult to understand. However, the treaty's rules for taxing international civil servants are generally straightforward. They provide that international civil servants' incomes are exempt from taxation, as long as the international organisation that employs them is considered to be a "tax-exempt entity" under the treaty. The treaty also provides that international civil servants' incomes are not taxed in the country where they work if the income is "remitted" to their home country.

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