



*executive committee of
the directing council*

PAN AMERICAN
HEALTH
ORGANIZATION

*working party of
the regional committee*

WORLD
HEALTH
ORGANIZATION



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Provisional Agenda Item 11

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TAX EQUALIZATION PLAN

1. Introduction

In this document there is proposed for consideration of the Executive Committee a Tax Equalization Plan for the Pan American Health Organization to become effective 1 January 1969. Such plans have in recent years been adopted by the United Nations and the Organization of American States and, in May 1968, by the World Health Organization.

2. Staff Assessment

In 1964, PAHO followed WHO and the UN in the adoption of a staff assessment system (Staff Rule 230.1 approved in Resolution VI of the 50th Executive Committee). This system levies on the gross salaries of staff members an internal tax, known as staff assessment. The staff assessment is comprised of the difference between the gross and net salaries, and is equivalent to an internal tax. In effect, the net salaries paid to staff members represent an "after-tax" salary level.

3. Staff inequities due to national taxation

Since some Member Governments levy taxes on the emoluments received from PAHO by their nationals and residents, the affected staff members have their emoluments reduced inequitably compared to those staff members who are not subject to national taxation on their PAHO emoluments which they are required to pay to governments. The cost of such tax reimbursement has been included in the annual budget and is shared by all Member Governments.

4. Inequities to Member Governments

It is inequitable that some Member Governments receive the benefits of taxes levied by them on the PAHO emoluments of their nationals and residents, while all Member Governments are assessed to bear the cost of tax reimbursement as mentioned in paragraph 3. The UN, OAS and WHO have overcome these inequities by adoption of the Tax Equalization Plan.

5. The Tax Equalization Fund

It is proposed to establish a Tax Equalization Fund as from 1 January 1969 to which will be credited the total amount of staff assessments under the regular budget, representing the sum total of the difference between the gross and net salaries. Since, as mentioned in paragraph 2, budgets have been calculated on the basis of net salaries, it will be necessary to include in the budget and in the appropriation resolution a new part containing the total staff assessments. The addition of this new part means that the total budget will then be a gross figure including staff assessments.

6. Gross and Net Assessments

Under the Tax Equalization Plan the contributions of Member Governments will be calculated on the gross budget figure. At the same time each Member Government will receive a credit from the Tax Equalization Fund in the same proportion as its assessment. Such credit will be reduced for those Member Governments who levy taxes on the PAHO emoluments of their nationals and residents employed by PAHO, by the estimated amount required to cover the Organization's liabilities for any taxes reimbursed to PAHO staff members, whatever the source from which the staff member's emoluments are paid. In the case of Member Governments having a federal system, the taxes referred to herein are intended to apply to taxes on emoluments on federal, state and local governments. Upward or downward adjustments will be made in the second succeeding financial year to take account of the actual tax reimbursements made to staff members. In summary, those Member Governments who do not levy taxes on PAHO emoluments make net contributions equivalent to the present system. Member Governments who do levy taxes on PAHO emoluments will make net contributions equivalent to the present system, plus the estimated amount of tax reimbursements to their nationals or residents (subject to later adjustments to reflect actual tax reimbursements).

7. New Members

To avoid inequitable treatment of new Members who would not have a credit in the Tax Equalization Fund to apply against an assessment based on the gross budget figure, it is proposed that they be assessed their pro rata share of the effective working budget rather than on the gross budget until their assessments become part of the total assessments for the annual budget.

8. Revised Appropriation Resolution and Assessment of Contributions

To implement the proposed Tax Equalization Plan it will be necessary to revise the appropriation resolution, to include a new part for staff assessments as mentioned in paragraph 5, above. The proposed new format is shown in Annex I.

Due to the more complex manner in which the assessment of contributions must be expressed, it is proposed to present a separate resolution for this purpose as shown in Annex II.

9. Draft Resolution

If after due examination the Executive Committee agrees with the proposal described above for the establishment of the Tax Equalization Plan to become effective 1 January 1969, the Committee may wish to approve a resolution along the following lines:

TAX EQUALIZATION PLAN

"THE EXECUTIVE COMMITTEE,

Having considered the proposals of the Director relating to the introduction of a Tax Equalization Plan and the establishment of a Tax Equalization Fund,

1. CONCURS with the proposals of the Director;
2. EXPRESSES its approval of the Tax Equalization Plan and the revised format of resolutions for appropriation of funds and assessment of contributions, and
3. RECOMMENDS to the XVIII Directing Council the adoption of the following resolution:

'THE DIRECTING COUNCIL,

Having considered the proposals of the Director and the recommendation of the Executive Committee relating to the introduction of a Tax Equalization Plan and the establishment of a Tax Equalization Fund,

I. RESOLVES that

- 1.- A Tax Equalization Fund shall be established as from 1 January 1969 to which shall be credited annually the revenue derived from the Staff Assessment Plan;
- 2.- The credits to the Fund shall be recorded in sub-accounts of the Fund, in the name of each Member Government in the proportion of its assessment for the financial year concerned;
- 3.- There shall be charged against the credits of the individual Member Government an amount estimated to be required to cover the annual liabilities in respect of taxes levied by that Member Government on staff members' emoluments received from PAHO.

4.- The amount credited to each Member Government in the Fund under paragraph 2 above, less the amounts charged against that credit under paragraph 3 above, shall be taken into account in determining the contribution due from the Member Government concerned for the the same financial year;

5.- Adjustments shall be made in the second succeeding financial year to take account of the actual charges made in respect of amounts reimbursed to staff who are subject to national taxes. Should such charges exceed the available credit of any Member, the excess shall be added to the contribution of that Member for the second succeeding year;

II. RESOLVES further that new Members joining the Organization after 1 January 1969 shall be assessed only for their pro rata share of the effective working budget until their assessments become a part of the total assessments for the annual budget."

Annexes

RESOLVES:

- | | | | |
|----------|------------------------------------------------------|------------------------|------------------|
| PART I | ORGANIZATIONAL MEETINGS | | |
| PART II | HEADQUARTERS | \$ | 321,888 |
| PART III | FIELD AND OTHER PROGRAMS | | 3,086,880 |
| PART IV | SPECIAL FUND FOR HEALTH PROMOTION | | 7,401,232 |
| PART V | INCREASE TO ASSETS | | 250,000 |
| | | | <u>330,000</u> |
| PART VI | PAN AMERICAN FOOT-AND-MOUTH DISEASE CENTER | Subtotal - Parts I - V | \$ 11,390,000 |
| | Effective Working Budget (Parts I - VI) | | <u>1,202,836</u> |
| PART VII | STAFF ASSESSMENT (Transfer to Tax Equalization Fund) | | \$ 12,592,836 |
| | | | ===== |
| | | | <u>1,490,450</u> |
| | | Total - All Parts | \$ 14,083,286 |
| | | | ===== |

- b. Miscellaneous Income

\$ 13,878,286

205,000

Total

\$ 14,083,286
=====

4. That the Director shall be authorized to transfer credits between parts of the effective working budget, provided that such transfers of credits between parts as are made do not exceed 10 per cent of the part from which the credit is transferred. Transfers of credits between parts of the budget in excess of 10 per cent of the part from which the credit is transferred may be made with the concurrence of the Executive Committee. All transfers of budget credits shall be reported to the Directing Council.

ASSESSMENTS OF THE MEMBER GOVERNMENTS AND PARTICIPATING GOVERNMENTS OF THE PAN AMERICAN HEALTH ORGANIZATION

WHEREAS, Member Governments appearing in the scale adopted by the Council of the Organization of American States are assessed according to the percentages shown in that scale, in compliance with Article 60 of the Pan American Sanitary Code; and,

WHEREAS, other Member Governments and Participating Governments are assessed in accordance with Resolutions XXVII and XXVIII of the XVII Directing Council; now, therefore,

THE DIRECTING COUNCIL,

RESOLVES:

To establish the assessments of the Member Governments and Participating Governments of the Pan American Health Organization for 1969 in accordance with the scale of quotas shown below and in the corresponding amounts.

(1)	(2)	(3)	(4)	(5)	(6)
Country	OAS Scale %	Gross Assessment US\$	Credit from Tax Equalization Fund US\$	Adjustment for Taxes Imposed by Member Governments on Emoluments of PAHO Staff US\$	Net Assessment US\$
Argentina	7.1900	786,894	105,987	-	880,907
Barbados	0.0800	10,981	1,179	-	9,802
Bolivia	0.3100	42,551	4,570	-	37,981
Brazil	6.8800	944,344	101,417	-	842,927
Chile	1.7800	244,321	26,239	-	218,082
Colombia	1.5500	212,751	22,848	-	190,103
Costa Rica	0.3100	42,551	4,570	200	37,981
Cuba	1.4700	201,771	21,669	-	180,102
Dominican Republic	0.3100	42,551	4,570	-	37,981
Ecuador	0.3100	42,551	4,570	-	37,981
El Salvador	0.3100	42,551	4,570	-	37,981
Guatemala	0.3900	53,532	5,749	-	47,783
Haiti	0.3100	42,551	4,570	-	37,981
Honduras	0.3100	42,551	4,570	-	37,981
Mexico	6.7300	923,755	99,206	-	824,549
Nicaragua	0.3100	42,551	4,570	-	37,981
Panama	0.3100	42,551	4,570	-	37,981
Paraguay	0.3100	42,551	4,570	-	37,981
Peru	0.7700	105,689	11,350	-	94,339
Trinidad and Tobago	0.3100	42,551	4,570	-	37,981
United States of America	66.0000	9,059,110	972,895	316,250	8,402,465
Uruguay	0.7000	96,081	10,319	-	85,762
Venezuela	3.0500	418,641	44,960	300	373,981
Subtotal	100.0000	13,725,931	1,474,088	316,750	12,568,593
	Equivalent Percentages				
<u>Other Member Governments</u>					
Guyana	0.2200	30,196	3,243	-	26,953
Jamaica	0.3100	42,551	4,570	-	37,981
<u>Participating Governments</u>					
France	0.2200	30,196	3,243	-	26,953
Kingdom of the Netherlands	0.1800	24,706	2,653	-	22,053
United Kingdom	0.1800	24,706	2,653	-	22,053
Subtotal		152,355	16,362	-	135,993
Total Assessments - All Countries		13,878,286	1,490,450	316,750	12,704,586

(2) This column includes the OAS percentages adding to 100 per cent and the equivalent percentages applicable to other Member Governments and Participating Governments. OAS scale minimum assessment is 0.31 per cent or per capita contribution equal to that of the largest contributor, whichever is smaller.

(5) This column includes estimated amounts to be received by the respective Member Governments in 1969 in respect of taxes levied by them on staff members' emoluments received from PAHO, adjusted for any difference between estimate and actual for second preceding year.