

UNITED NATIONS

SECRETARIAT



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INFORMATION CIRCULAR

To: Members of the staff who are liable to pay income taxes on United Nations salaries and emoluments

From: The Controller

Subject: UNITED STATES ESTIMATED INCOME TAXES, 1971: CHANGE FROM "NET" TO "GROSS" SALARY

1. Following an exchange of views early this year and an understanding reached between the Secretary-General and the United States, salary received by staff members who are subject to income tax by United States taxing authorities will be taxed, beginning with the calendar year 1971, on a gross basis. Taxable earnings from the United Nations will thus include gross salary plus, as heretofore, post adjustment and allowances. In this way the staff assessment, which is the difference between "net" and "gross" salary, will automatically be included as income, will be used by staff members and the United Nations in computing both estimated taxes and final taxes due and will be included on the annual United Nations statement of taxable earnings for such staff members. The new statement of taxable earnings, Form F-42, is in the process of revision. It will be issued to the staff members concerned as at 31 December 1971, will reflect these changes and, as in the past, will state the amount of United Nations earnings to be declared by the staff member in his tax returns for 1971.

2. The effect of this change will be to reduce the tax pyramiding effect on a staff member's income and to eliminate the time lag that has occurred because the United Nations tax cheques were reported previously as income in the year following the applicable tax year.

\* This information circular is being issued at this time for the advance information of staff members concerned. The usual instructions relevant to payment of United States taxes will be distributed early in 1972.

3. The change from "net" to "gross" salary for tax-reporting purposes, together with the mid-year increases in salaries and post adjustments and the increased New York City tax rates, will, for many staff members, result in their having underestimated or overestimated their income tax liability on United Nations income for 1971. In a number of cases, the three quarterly cheques already issued by the United Nations for instalments due on 15 April, 15 June and 15 September 1971 may already have equalled or exceeded the total taxes that will be due on United Nations income for 1971. As to the fourth instalment of tax due 15 January 1972, the Payroll Section, Accounts Division, Office of the Controller, has calculated the effect that the above changes have had on the total amount of the estimated tax due for the year 1971 and has adjusted the amount of the fourth-quarter cheques to reflect this revised estimate. It will, therefore, be necessary for each staff member subject to these taxes to review his estimated tax returns by the 15 January 1972 deadline to determine whether an amended return must be filed for income for 1971 based on his United Nations gross salary plus post adjustment and allowances. The tax laws of the United States jurisdictions require such a review by all taxpayers when sending in the fourth quarterly payment to the United States taxing authorities. If the fourth tax cheque from the United Nations differs from the previous three, then an amended return is probably required.