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**Chairman: Mr. Pote SARASIN (Thailand).**

*In the absence of the Chairman, Mr. M. I. Botha (Union of South Africa), Vice-Chairman, took the Chair.*

**AGENDA ITEM 40**

**Headquarters of the United Nations: report of the Secretary-General (A/2778, A/C.5/L.310) (*concluded*)**

1. The CHAIRMAN put to the vote the Rapporteur's draft report (A/C.5/L.310) on the Headquarters of the United Nations.

*The draft report was unanimously adopted.*

**AGENDA ITEM 38**

**Budget estimates for the financial year 1955 (A/2647, A/2688) (*continued*)**

**USE OF INCOME DERIVED FROM THE STAFF ASSESSMENT PLAN (A/2799, A/C.5/584/CORR.2) (*continued*)**

2. Mr. ROUSSOS (Greece) said that, while his delegation appreciated the Secretary-General's efforts to reach a solution of the problem of national income taxation imposed upon staff members of the United Nations, it supported the recommendation in paragraph 15 of the nineteenth report of the Advisory Committee on Administrative and Budgetary Questions (A/2799), in view of the assurances given by the United States representative at the 472nd meeting.

3. The problem before the Committee had arisen because a certain number of Member States had failed to ratify the Convention on Privileges and Immunities; only if there was goodwill among the parties concerned could it be solved. The Fifth Committee should rely on the United States representative's assurances and the Advisory Committee's wise advice and look forward to a solution of the problem in 1955.

4. Lord FAIRFAX (United Kingdom) said that his delegation joined with the Advisory Committee in commending the Secretary-General for his perseverance in seeking a solution to the important and long-standing problem before the Committee. The United Kingdom delegation had read with great interest the solution suggested in the Secretary-General's report (A/C.5/584) and noted that the scheme proposed would result

in very substantial budgetary savings. In view, however, of the considerations set out in the Advisory Committee's report, his delegation was prepared to accept the conclusion that it was preferable for the time being not to proceed with the Secretary-General's plan. It accordingly agreed that the Secretary-General should be asked to continue his conversations with the seventeen Member States which had not yet ratified the Convention on Privileges and Immunities and it hoped that an equitable solution to the problem would be found by 1955.

5. Mr. CHECHYOTKIN (Union of Soviet Socialist Republics) emphasized the importance of finding a prompt solution to the problem of national income taxation levied on the salaries and emoluments paid by the United Nations to its officials.

6. The General Assembly resolution 13 (I) of 13 February 1946 stated that "exemption from national taxation for salaries and allowances paid by the Organization was indispensable to the achievement of equity among its Members and equality among its personnel" and article V, section 18 (b), of the Convention on Privileges and Immunities confirmed that the salaries and emoluments paid by the United Nations to its officials should be exempt from taxation. General Assembly resolutions 78 (I), 160 (II) and 239 C (III) called upon Member States who had not acceded to the Convention on Privileges and Immunities to take the necessary action to do so in order to exempt their nationals employed by the United Nations from national income taxation. In spite of the foregoing resolutions the question was still unsolved and, although seventeen Member States had failed to ratify the Convention, it was perfectly obvious that the solution of the problem before the Committee depended on one of those States alone—the United States of America.

7. According to information supplied by the Secretary-General, the United Nations had to date paid approximately \$9 million to the United States Treasury in reimbursement of Federal and State income tax paid by United States members of the Secretariat. To that sum should be added the amount requested in the supplementary estimates to cover the reimbursement of such tax in 1954 and the large sums spent by the specialized agencies on tax reimbursement. As the Secretary-General had pointed out in paragraph 9 of his report, a Member State which had not granted either tax exemption or relief from double taxation to its nationals who were staff members benefited twice: firstly, from the national taxes it levied on such nationals and, secondly, from the income derived from the Staff Assessment Plan. The position taken by the United States Government was incompatible with the provisions of Articles 1 and 105 of the Charter.

8. The USSR delegation supported the plan outlined in the Secretary-General's report (A/C.5/584), al-

though it did not think that would lead to a complete solution of the problem.

9. After a careful study of the recommendation in the Advisory Committee's nineteenth report, his delegation had concluded that it was not in keeping with the General Assembly resolutions on the problem, and that the majority of the members of that Committee had been guided by considerations other than those of a purely administrative and budgetary nature. He pointed out, in that connexion, that in paragraph 50 of its first report to the seventh session (A/2157),<sup>1</sup> the Advisory Committee urged the Secretary-General to make every effort to ensure that Members took, at an early date, one or other of the alternative courses recommended by the General Assembly regarding the problem before the Committee.

10. With regard to the United States representative's statement at the 472nd meeting, he pointed out that somewhat similar statements had been made by United States representatives at the 62nd and 86th meetings of the Fifth Committee.

11. He supported the Argentine representative's statement at the 472nd meeting that the savings made as a result of the reorganization plan would be offset by the large sums spent in the reimbursement of national income tax levied on the salaries and emoluments paid by the United Nations to its officials.

12. The USSR delegation sincerely hoped that the Fifth Committee would support the Secretary-General's plan for setting up a tax equalization fund and thereby remove the existing inequity among Member States and inequality among the personnel of the United Nations.

13. Mr. MELO LECAROS (Chile) had carefully studied the ingenious plan proposed by the Secretary-General and the Advisory Committee's cogent observations on the plan and had heard with interest the United States representative's statement, made in obvious sincerity, that in the coming year his Government would endeavour to work out another solution.

14. Putting it at its simplest, the crux of the problem was that, by reimbursing staff members for their national income taxes, fifty-nine Member States were indirectly contributing approximately 1 million dollars each year to the United States Treasury. A total of over 8 million dollars had been paid out under that head since 1946. The situation was contrary to the principles of equity among Member States and equality among the staff.

15. The Chilean Government had ratified the Convention on Privileges and Immunities of the United Nations and had applied its principles to the staff of the Economic Commission for Latin America (ECLA), which had its headquarters in Santiago. He hoped that the United States would follow that example either by ratifying the Convention or by making other arrangements to eliminate the existing inequities.

16. Mr. KULAGA (Poland) said that the question of exempting nationals of States Members of the United Nations from the payment of income tax on their United Nations earnings had been before the Organization from its inception. The only way to ensure that

the staff received equal pay for equal work and at the same time to respect the principle of equity among Member States was to exempt all staff from national income taxes.

17. The General Assembly had endorsed that solution in its resolution 13 (I) of 13 February 1946, in which it concurred in the principle that exemption from national taxation for salaries and allowances paid by the Organization was indispensable to the achievement of equity among its Members and equality among its personnel. Similar principles had been endorsed in General Assembly resolutions 78 (I), 160 (II) and 239 C (III). The provisional appropriation for the reimbursement of national income tax pending the ratification of the Convention on Privileges and Immunities of the United Nations had been opposed by many delegations. The General Assembly had then adopted the Mexican proposal to increase the contributions of States which had not exempted their nationals from income taxes by the amount which they received from such taxation. At the first session the United Kingdom representative (6th meeting) in the Fifth Committee had opposed the granting of any subsidy by States which had exempted their nationals from taxation to States which had not. The same attitude had prevailed at the second session, when the Belgian representative had said (72nd meeting) that he would oppose the reimbursement of all taxes paid to the United States, since that was the only way to make it clear that the host country could not continue indefinitely to reject a principle basic to the proper functioning of the Secretariat. At subsequent sessions proposals to reject any appropriation for the reimbursement of national income taxes had frequently been submitted and year after year the United States had been urged to eliminate a practice which was completely inequitable and grossly unfair to other Member States.

18. Despite the resolutions it had adopted on the subject and notwithstanding the many appeals to the United States, the General Assembly was again confronted with the problem at its ninth session. Since its inception the Organization had paid out over 10 million dollars, including the appropriation for 1954, in reimbursement for United States income taxes. The host country benefited also from the fact that other States exempted their nationals from the payment of income tax, while the Argentine representative had referred to other benefits which the United States derived from its position as the host country. By its attitude in the matter the United States was guilty of a grave infringement of the principle of equity among Member States which was laid down in Article 2 of the Charter. That was the essence of the problem.

19. The plan outlined in the Secretary-General's report (A/C.5/584) would reduce some of the advantages which the United States enjoyed under the existing arrangement. In stating that his plan would mean a large step towards achieving equity among Member States, the Secretary-General tacitly recognized that it was not a final solution. The Polish delegation agreed that the plan represented definite progress and it was prepared to sponsor the proposal in the Fifth Committee.

20. The Advisory Committee, on the other hand, had recommended (A/2799, paragraph 15) that the Secretary-General should be requested to continue his con-

<sup>1</sup> Official Records of the General Assembly, Seventh Session, Supplement No. 7.

versations with the seventeen Member States which had not ratified the Convention on Privileges and Immunities of the United Nations with a view to their acceding to the Convention. His delegation was surprised at the Advisory Committee's conclusions, which simply meant that the unsatisfactory *status quo* would be preserved, but it had no objection to the suggestion that the Secretary-General should continue his conversations, without prejudice to the introduction of his plan for a tax equalization fund, for that might enable him to work out a permanent solution.

21. The Advisory Committee conceded that its recommendations would prolong an unsatisfactory situation but it argued that they would at least serve to uphold the desire of the United Nations to secure from all Member States an unreserved acceptance of the Convention. In view of the many fruitless attempts already made to induce the United States to accede to the Convention, it was unlikely that a further appeal from the Advisory Committee would be heeded. His delegation therefore rejected the Advisory Committee's recommendation as unrealistic. It would also oppose the proposal made by the United States representative at the 472nd meeting, for that too would tend to preserve the existing inequitable situation.

22. Mr. CARRIZOSA (Colombia) said that the tax equalization fund proposed by the Secretary-General would mean in effect that States which levied tax on the income of their nationals employed by the United Nations would hand the money over to the Organization, which would in turn reimburse the staff. The proposal seemed unnecessary, for in practice a staff member would merely be reimbursed by his Government acting through the United Nations. It would be much simpler if Member States would act directly to exempt their nationals in the employ of the United Nations from the payment of income taxes.

23. The cumbersome solution resulted from the fact that at its first session the General Assembly had been convinced that instead of requiring Member States to enact the necessary internal legislation it would suffice to urge them to accede to the Convention on Privileges and Immunities of the United Nations, which contained a provision on tax exemption. As the assumption that all Member States would ratify the Convention forthwith had proved unfounded, the General Assembly had then adopted resolution 78 (I) on tax equalization in an effort to achieve full application of the principle of equity among Members and equality among personnel of the United Nations.

24. As a result of the resolutions adopted at the second and third sessions of the General Assembly, an artificial equality among the staff had been brought about by introducing the Staff Assessment Plan and authorizing the Secretary-General to reimburse national income taxes paid by the staff in respect of salaries and emoluments received from the United Nations.

25. The plan now put forward by the Secretary-General would in practice relieve all staff members of the payment of national income tax. States which had not exempted their nationals from such taxation would *naturally oppose the Secretary-General's idea*.

26. Although the plan would satisfy the twin principles of equity among Member States and equality among the staff, it would be inexpedient, for political reasons, to adopt it at that juncture. He would instead

support the Advisory Committee's recommendation, for equity among Member States would be equally well achieved if as a result of the Secretary-General's conversations all States which had not yet ratified the Convention on Privileges and Immunities could be induced to do so.

27. In view of the existing circumstances, his Government had not ratified the Convention, although it had exempted the staff of the Department of Public Information in Colombia and of the Colombia Office of the High Commissioner for Refugees from the payment of income tax. So long as the present situation remained unchanged, it would not accept the provisions of the Convention on exemption from taxation.

28. In reply to Mr. HASSAN (Pakistan), Mr. ANDERSEN (Secretariat) said that the countries which had not yet ratified the Convention on Privileges and Immunities of the United Nations were the following: Argentina, Burma, Colombia, China, Cuba, Czechoslovakia, Ecuador, Indonesia, Mexico, Peru, Saudi Arabia, Thailand, Union of South Africa, United States of America, Uruguay, Venezuela and Yemen. As he had not verified the list with the Legal Department it might be subject to correction.

29. Mr. VAN ASCH VAN WIJCK (Netherlands) said that his delegation was among those which continued to deplore the situation regarding the taxing of the salaries and emoluments paid to United Nations officials. The Secretary-General's proposal for the setting-up of a tax equalization fund was certainly ingenious but did not represent a complete solution of the problem. It would be preferable, therefore, as the Advisory Committee had suggested, not to proceed with the plan but to request the Secretary-General to continue his conversations with the seventeen Member States and to report on his success to the General Assembly at its tenth session.

30. Mr. GANEM (France) said that the views of his delegation were those it had expressed at the first and second sessions of the General Assembly. France had always felt that the United Nations employees should not be privileged citizens and it had been a prime mover in the adoption of the Staff Assessment Plan, whereby income tax was paid to the Organization. It had also maintained that if there was to be a choice between equality among staff members and equity among Member States, the former should be sacrificed, at least for a while, because it had been convinced that the Member States concerned would not fail, in time, to grant their nationals relief from double taxation. The reimbursement of national income tax had, as it were, encouraged those States to continue to levy the tax and the Organization's difficulties had consequently increased year by year. France understood the United States Government's reluctance to grant privileges to a few of its nationals; it knew, too, that both legal and practical difficulties were involved, for it had encountered similar difficulties in granting tax exemption to French nationals employed by UNESCO, which had its Headquarters in Paris. It felt, however, that the difficulties of the international body merited at least equal consideration with those of national administration.

31. It was clearly unjust that the cost of reimbursing national income taxes should be borne by all Member States, including those which granted tax exemption

to their nationals employed by the United Nations. It was for that reason that the Fifth Committee had recommended at the eighth session<sup>2</sup> that the Secretary-General should be requested to submit to the General Assembly at its ninth session a report aimed towards a solution of the problem. The solution the Secretary-General had suggested (A/C.5/584) was the setting up of a tax equalization fund. The plan was not a complete answer to the problem but the French delegation had felt that it was better to adopt an incomplete solution than to acquiesce in the continuance of the present unsatisfactory situation. It had therefore intended to vote against the Advisory Committee's proposal.

32. The statement made by the United States representative at the 472nd meeting had, however, changed the situation. While sharing the Advisory Committee's opinion that the only fully satisfactory solution was for all Members of the Organization to accede to the Convention on Privileges and Immunities of the United Nations, and hoping that the United States Congress could be persuaded before long to ratify it, his delegation felt that the suggestions made by the United States representative probably offered a better temporary solution than did the Secretary-General's plan. The French delegation was therefore prepared not to oppose the proposal that the plan should be deferred for one year, in the hope that a better alternative would have been worked out in the meanwhile. It was anxious, however, that the Secretary-General should proceed with his negotiations with the United States and other Governments early in 1955, at the same time giving careful consideration to the suggestions the United States delegation had made, and that his conclusions should be in the hands of the Advisory Committee by May or June 1955, so that Governments might have the views both of the Secretary-General and of the Advisory Committee by June or July at the latest. That would enable them to give the matter the very detailed examination it warranted and to come to the tenth session ready to adopt a final solution to the whole problem.

33. The French delegation would therefore abstain from voting on the Advisory Committee's recommendation.

34. Mr. RYBAR (Czechoslovakia) said that the best way to meet the cardinal requirements of equity among Member States and equality among staff members in the matter of taxation was, as the General Assembly had always held, for all Member States to ratify the Convention on Privileges and Immunities of the United Nations, section 18 (b) of which provided that officials should be exempted from taxation on the salaries and emoluments paid them by the Organization. The only alternative was to increase the contribution assessment of those Members whose nationals in the service of the United Nations were subject to national income taxation, in an amount equal to that of the sums required for tax reimbursement. In fact, draft resolutions to that effect had been adopted by the Fifth Committee at the first and second sessions of the General Assembly. In response to warnings and promises given by the United States representative, the Committee had, however, on both occasions reconsidered its decisions and in its final resolutions had confined itself to ap-

pealing to Member States to grant their nationals tax exemption and at the same time authorizing the Secretary-General to reimburse staff members who were required to pay national income tax. The appeal had been repeated at the third session, in General Assembly resolution 239 C (III), at which session the General Assembly had also adopted the Staff Assessment Plan in the hope of encouraging the United States Government to grant its nationals exemption from double taxation. All appeals had been in vain, however, and hopes had proved unjustified, for six years later the situation was still the same. It was for that reason that the Secretary-General had been asked to submit a report to the ninth session, offering, if possible, a fresh solution. The Secretary-General's proposal for the setting up of a tax equalization fund went a long way towards achieving equity among Member States while maintaining equality among staff members of the Organization, even if the attitude of the United States Government were to remain the same. The plan offered the advantage of preventing Members from benefiting twice from the taxation of income paid to staff members by the Organization; it did not require any change in the assessment of individual Member States, and it was just, in that it did not discriminate between Member States. While not perfect, it represented an improvement on the present situation and the Czechoslovak delegation would therefore support it while hoping that a complete solution would be found in the near future.

35. The Czechoslovak delegation had no comment to make on the observations of the Advisory Committee, which offered no alternative to the Secretary-General's suggestion except the prolongation of the existing unsatisfactory situation. If the Secretary-General's plan were not adopted, the Czechoslovak delegation would feel obliged to oppose the reimbursement of national taxation to employees of the United Nations, since it believed that it was no longer possible to sacrifice the principle of equity among Member States to that of equality among staff members.

36. Mr. STRAUCH (Brazil) said that his delegation shared the concern of the Committee in general at the failure of a number of Member States to exempt their nationals who were in the employ of the United Nations from taxation on their salaries and emoluments. Brazil had always been keenly aware of the resulting inequity among Member States and of the growing burden on the Organization's slender resources. It had long hoped that that contentious point would be cleared up and it therefore welcomed the Secretary-General's proposal that the income derived from the Staff Assessment Plan should be used to remedy the situation arising from the failure of certain Member States to accede to the Convention on Privileges and Immunities of the United Nations.

37. As the Advisory Committee had pointed out, the plan was an ingenious one, built round the twin principles of equity among Member States and equality among the staff, and while it did not provide for a complete fulfilment of the former principle, it safeguarded the latter, though at a certain cost to United Nations funds. The Brazilian delegation was in consequence disappointed at the Advisory Committee's negative reaction to the plan; after urging the Secretary-General to find even a partial solution to the problem, that Committee now proposed that action on

<sup>2</sup> Eighth Session, Annexes, agenda item 38, A/2624, paragraph 16.

the solution he had offered should be postponed, at the same time requesting him to continue his conversations with the seventeen States with a view to their acceding to the Convention or at least adopting alternative measures whereby all United Nations officials might be granted the necessary tax exemption. Although that recommendation offered the advantage of giving a further opportunity for securing an unreserved acceptance of the Convention from all Member States, it had the disadvantage of prolonging the present unsatisfactory situation and might well discourage the Secretary-General in his efforts to find a final solution.

38. The Brazilian delegation was therefore prepared to support the Secretary-General's proposal, but in view of the definite promises the United States representative had made at the previous meeting it would not press for its immediate implementation and would be willing once again to defer the matter, on the understanding that the problem of tax equalization would be solved once and for all at the tenth session, so that the basic principles of equity among Member States and equality among staff members might at last be satisfied.

The meeting rose at 5.5 p.m.