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**IMMEDIATE
ATTENTION**

EBAP/92/164

December 15, 1992

To: *Members of the Executive Board*

From: The Secretary

Subject: Review of the Tax Allowance System

Attached is a memorandum from the Acting Chairman of the Committee on Administrative Policies containing the Committee's report and recommendations regarding the review of the operation of the tax allowance system and proposals for modifications.

In the absence of objection by noon on Friday, December 18, 1992, the recommendations of the Committee will be deemed approved by the Executive Board, and will be so recorded in the minutes of the next meeting thereafter.

Att: (1)

Other Distribution:
Department Heads



Office Memorandum

December 10, 1992

To: Members of the Executive Board

From: The Acting Chairman, Committee on Administrative Policies

Subject: Review of the Tax Allowance System

The Committee on Administrative Policies has considered the review of the tax allowance system (EB/CAP/92/11, 10/15/92 and Supplement 1, 12/4/92). At its meeting on December 8, 1992, the Committee agreed to recommend to the Executive Board (1) that the procedures for the tax allowance safeguard mechanism be extended to all staff receiving allowances, with clarification that the extension is not in the nature of a grandfathering decision, and (2) that the proposed technical changes in the tax allowance system be implemented. In addition, the Committee requested that the experience with the operation of the extended safeguard be reviewed in approximately two or three years.

The Committee, therefore, recommends that the following decision be adopted by the Executive Board:

(1) The procedures used in calculating tax allowances under the Safeguard shall be extended to all staff receiving tax allowances, beginning with the allowances paid with respect to 1992 income, on the understanding that the Executive Board shall retain the authority to review and revise or replace the Average Deduction System of calculating tax allowances, provided that as to staff hired before January 1, 1980, the tax allowance shall continue to be determined in accordance with the principle set forth in the Fund's By-Laws as worded at the time of their appointments.

(2) The six technical changes set forth in EB/CAP/92/11, Annex III, shall be implemented beginning with the average deductions and calculation of tax allowances for 1993.