

# ***TR 92/14 - Income tax: taxation privileges and immunities of prescribed International Organisations and their staff***



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## Taxation Ruling

### Income tax: taxation privileges and immunities of prescribed International Organisations and their staff

#### other Rulings on this topic

#### TD 92/153

contents	para
<b>What this Ruling is about</b>	<b>1</b>
<b>Ruling</b>	<b>1</b>
A. The International Organisation	3
B. Persons engaged by the organisation	6
Holder of a High Office	7
Representative	8
Holder of an office	9
Experts/consultants	11
Pensions	13
Exemption with progression	15
Documentary evidence	16
<b>Date of effect</b>	<b>17</b>
<b>Explanations</b>	<b>18</b>
Background	18
Set up of current law	21
Regulations	22
<b>Attachment</b>	<b>22</b>

*This Ruling, to the extent that it is capable of being a 'public ruling' in terms of Part IVAAA of the **Taxation Administration Act 1953**, is a public ruling for the purposes of that Part. Taxation Rulings TR 92/1 and TR 97/16 together explain when a Ruling is a public ruling and how it is binding on the Commissioner.*

*[Note: This is a consolidated version of this document. Refer to the Tax Office Legal Database (<http://law.ato.gov.au>) to check its currency and to view the details of all changes.]*

## What this Ruling is about

1. This Ruling describes the operation of privileges and immunities relating to taxation that apply to International Organisations and persons working for these organisations. International Organisations include the United Nations organisations, the OECD, the International Court of Justice and the International Atomic Energy Agency.
2. The privileges and immunities law is administered by the Department of Foreign Affairs and Trade (DFAT), and in this regard this Ruling reflects the views of both the DFAT and the Australian Taxation Office (ATO).

## Ruling

### A. The International Organisation

3. An International Organisation may be accorded privileges and immunities in the nature of exemption from income tax to the extent described in the First Schedule to the *International Organizations (Privileges and Immunities) Act 1963* (IO(P+I)A). Exemption from liability to tax (other than importation or exportation duties) may be provided for the organisation, its income, property, assets and transactions and the organisation may be exempt from the liability to

collect taxes<sup>1</sup>. Exemption from taxes may also be provided for obligations and securities issued or guaranteed by the organisation, and interest and dividends on such obligations and securities<sup>2</sup>.

4. To determine whether and to what extent exemptions may apply to a particular International Organisation, it is necessary to examine the regulations for that organisation made under the IO(P+I)A. For example, while the exemption from liability to tax is available to a number of organisations, including the United Nations organisations and Specialised Agencies, it is restricted<sup>3</sup> or not available at all to other organisations. In this regard, a comprehensive list of organisations and their related regulations is attached to this Ruling.

5. The exemption in respect to taxes of obligations and securities and related interest and dividends has generally not been made available to International Organisations<sup>4</sup>.

## **B. Persons engaged by the organisation**

6. Persons engaged by an International Organisation may be accorded privileges and immunities in the nature of exemption from taxation as described in the Second, Third, Fourth and Fifth Schedules to the IO(P+I)A. Tax exemptions may be available to a High Officer, Representative, Officer, or expert or consultant. As with the organisation itself, it is necessary to examine the regulations of the particular International Organisation to ascertain to what taxation exemptions, if any, a person may be entitled.

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<sup>1</sup> Paragraph 7 of the First Schedule of the IO(P+I)A

<sup>2</sup> Paragraph 8 of the First Schedule of the IO(P+I)A

<sup>3</sup> eg, the regulations for the Bank of International Settlement provide exemption from tax on income or gains the Bank derives from investments in Australia, if that income or gain would be subject to withholding tax under section 128B(5) of the *Income Tax Assessment Act 1936 (ITAA)* if it were not so exempt or would be included in the assessable income of the Bank under sections 26BB or 26C of the ITAA

<sup>4</sup> An exception is the Common Fund for Commodities where exemption is provided under regulation 5 of Statutory Rules 1985 No 20. However, the exemption is restricted under subregulation 7(4) to taxes:

- . that apply only because the obligations or securities are issued or guaranteed by the Fund; and
- . that would not apply but for the location of an office or other place of business of the fund or the place at which, or the currency in which, the obligations or securities were issued, made payable or paid

**Holder of a High Office**

7. This phrase usually refers to the senior officer and his or her deputy, ie, the Secretary-General, Director, etc, of the organisation. This person may have the privileges and immunities equivalent to those of a diplomatic agent<sup>5</sup> - ie, a diplomatic agent under the Vienna Convention on Diplomatic Relations. These privileges and immunities include exemption from all dues and taxes, personal or real, national, regional or municipal, subject to a number of exceptions including taxes on private immovable property in Australia, private income sourced in Australia and investments in commercial undertakings in Australia<sup>6</sup>.

**Representative**

8. A representative accredited to, or attending a Conference convened by an International Organisation may also be accorded like privileges and immunities of a diplomatic agent, including those relating to taxation as referred to in the preceding paragraph<sup>7</sup>.

**Holder of an office**

9. A holder of an office in an International Organisation may have exemption from tax on salaries and emoluments received from the organisation.<sup>8</sup>

10. Notwithstanding this, it is usual to provide in the regulations relating to that particular organisation that where an official is a resident of Australia, the remuneration received by that person, to the extent to which it is for services rendered in Australia, is generally not exempt from taxation. However, the remuneration will be exempt where the person, although a resident, is not an Australian citizen and came to Australia solely for the purpose of performing the duties of the office held by him or her in the particular organisation. This requirement does not apply in respect of all prescribed International Organisations.

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<sup>5</sup> Part 1 of the Second Schedule of the IO(P+I)A

<sup>6</sup> see Article 34 of the Vienna Convention on Diplomatic Relations

<sup>7</sup> Paragraph 7 of Part 1 of the Third Schedule of the IO(P+I)A

<sup>8</sup> Paragraph 2 of Part 1 of the Fourth Schedule of the IO(P+I)A

**Experts/consultants**

11. Persons serving on a Committee or participating in the work of, or performing a Mission on behalf of an International Organisation may be accorded exemption from tax on salaries and emoluments received from the organisation<sup>9</sup>.

12. This usually covers experts and consultants engaged by the organisation. Generally, Australia's policy is that experts and consultants are not exempt from tax in Australia. However, limited exemption has been provided under regulations in the following cases - Asian Development Bank<sup>10</sup>, Common Fund for Commodities<sup>11</sup>, Customs Cooperation Council and the International Court of Justice.

**Pensions**

13. A pension received from a prescribed International Organisation is not exempt from tax in Australia as the IO(P+I)A does not extend tax exemptions to a former officer of an International Organisation.

14. The assessability of pensions paid by an International Organisation came before the Board of Review<sup>12</sup> where a pension recipient sought exemption from tax under former paragraph 23(y) of the *Income Tax Assessment Act 1936* (ITAA). The Board dismissed the taxpayer's claim that the pension was an emolument of an official of a prescribed organisation, holding that the term emolument related to a monetary benefit paid to a serving officer, rather than as including pension payments to a former official. Consequently, the pension received as a result of former employment with the United Nations was not exempt under former paragraph 23(y).

**Exemption with progression**

15. Salaries or emoluments that are exempt from Australian tax under the privileges and immunities legislation are not taken into account in calculating the Australian tax on other assessable income derived by the person. This is in contrast to foreign earnings of a person working overseas that are exempt from Australian tax under sections 23AF or 23AG of the ITAA. These earnings are subject to

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<sup>9</sup> Paragraph 2A of Part 1 of the Fifth Schedule of the IO(P+I)A

<sup>10</sup> The exemption is denied if the person is an Australian resident and the services are rendered in Australia, unless the person is not an Australian citizen and came to Australia solely to perform his or her duties

<sup>11</sup> The exemption is denied if the person is an Australian citizen

<sup>12</sup> *Case M90*, 80 ATC 648, 24CTBR(NS) Case 65

what is generally referred to as 'exemption with progression', where they are taken into account in calculating the Australian tax on other assessable income the person has derived.

### **Documentary evidence**

16. Documentary evidence would be satisfied by a statement from the relevant International Organisation indicating that a person is engaged by that organisation and the relevant capacity in which the person is engaged (High Office, consultant, etc).

### **Date of effect**

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17. This Ruling sets out the current practice of the Australian Taxation Office and is not concerned with a change in interpretation. Consequently, it applies (subject to any limitations imposed by statute) for years of income commencing both before and after the date on which it is issued.

### **Explanations**

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#### **Background**

18. Under its domestic law Australia declares its right to impose income tax generally on the world-wide income of Australian residents (as defined in the ITAA) and on the Australian source income of non-residents. Departure from these principles, in the form of privileges and immunities, are contained in specific provisions of Australia's domestic law.

19. Prior to 1988, Income Tax Regulation 4AB prescribed for the purposes of the application of paragraphs 23(x) and (y) of the ITAA, those organisations which were to be exempted from Australian income tax liability and the extent to which officials of such organisations were also to be exempt from Australian income tax on their official salaries and emoluments. Income Tax Regulation 4AB and paragraphs 23(x) and (y) of the ITAA were repealed in 1988 because their application was duplicated in regulations made under the IO(P+I)A.

20. With this repeal, all privileges and immunities of International Organisations and their staff are now governed by the IO(P+I)A and the regulations of the particular International Organisation made under that Act. As a consequence, administration of privileges and

immunities in relation to International Organisations was passed from the ATO to the DFAT.

### **Set up of current law**

21. The legal framework for providing privileges and immunities in respect of International Organisations generally consists of three parts:

(a) **an international obligation.** Generally, Australia may enter an international obligation in the form of an international agreement (usually a convention) or undertake to accept arrangements provided in the Articles of Association of a particular organisation. An example of the former is, in the case of Specialised Agencies of the United Nations, the Convention on Privileges and Immunities of Specialised Agencies of the United Nations. An international agreement establishes an international obligation to give internal effect to the terms of the agreement through the legislative process, but usually does not in itself provide enforceable rights.

(b) **the relevant Act.** The IO(P+I)A is the legislative vehicle for the privileges and immunities of International Organisations. The Act provides a broad framework for the privileges and immunities that may be accorded and a basis and power for regulations to be made. The Act has five Schedules stating the type and extent of privileges and immunities that may be granted to the organisation, a high office, a person attending conferences as a representative, a holder of an office, and a person attending committees or participating in the work of or performing a mission on behalf of the organisation.

(c) **enabling regulations.** Privileges and immunities generally do not arise unless and until enabling regulations are made (e.g., Specialised Agencies (Privileges and Immunities) regulations). Not all the privileges and immunities contained in the Act, or in the respective Convention or Articles of Association, are necessarily granted under the regulations. To determine whether income tax exemptions apply, and what those exemptions are, it is necessary to examine the regulations of the particular International Organisation.

### **Regulations**

22. A list of all organisations and their related regulations prescribed under the IO(P+I)A is attached.

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**Commissioner of Taxation**

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- Australian source income
- consultants
- exemption with progression
- experts
- high officials
- holders of an office
- international organisations
- officials
- pensions
- privileges and immunities
- regulations
- representatives

*legislative references*

- ITAA 23AF
- ITAA 23AG
- International Organisations  
(Privileges and Immunities) Act  
1963

*case references*

- Case M90 80 ATC 648; 24 CTBR  
(NS) Case 65;



**Attachment****Regulations prescribed under the IO (P+I) Act 1963**

<b><u>Organisation/Regulation</u></b>	<b><u>Statutory Rules</u></b>	
	<b>Year</b>	<b>No</b>
Asia-Pacific Telecommunity	1981	6
Asian and Pacific Council	1968	85
Asian and Pacific Development Centre	1983	132
Asian Development Bank	1986	70
	1983	133
	1972	181
	1969	50
	1967	175
Association of Iron Ore Exporting Countries	1982	150
Association of Tin Producing Countries	1997	258
(* repealed by S.R. 1997 No. 258)	1984	85 *
Australia-Indonesia Zone of Cooperation	1991	444
	1990	228
Bank for International Settlements	1989	284
CAB International	1990	26
Commission for the Conservation of Antarctic Marine Living Resources (* repealed by S.R. 1985 No. 327)	1997	394
	1985	327
	1984	216

	1983	145	
	1983	22	
	1982	111	*
	1981	261	*
Commission for the Conservation of Southern Bluefin Tuna	1997	352	
	1996	40	
Common Fund for Commodities (* repealed by S.R. 1997 No. 259)	1997	259	
	1985	20	*
Commonwealth Secretariat (* repealed by S.R. 1972 No. 175)	1986	71	
	1982	136	
	1972	175	
	1971	7	*
Cultural and Social Centre for the Asian and Pacific region	1969	104	
Customs Cooperation Council	1979	72	
Economic Commission for Asia and the Far East	1968	54	
Energy Charter Conference	1997	329	
European Bank for Reconstruction and Development	1992	110	
European Economic Community	1986	184	
European Launcher Development Organisation (* repealed by S.R.1978 No.215)	1978	215	
	1968	158	*
INTELSAT	1984	283	

International Atomic Energy Agency	1986	72	
	1986	68	
	1971	30	
International Bauxite Association	1997	260	
(* repealed by S.R. 1997 No.260)	1976	251	*
International Centre for Living Aquatic Resources Management	1998	251	
International Centre for Settlement of Investment Disputes	1991	42	
International Cocoa Organisation	1991	260	
(* repealed by S.R. 1991 No. 260)	1973	198	*
International Coffee Organisation	1991	259	
(* repealed by S.R. 1991 No. 259)	1978	214	*
International Court of Justice	1986	73	
	1967	80	
International Exhibitions Bureau	1989	339	
	1986	239	
	1973	174	
International Hydrographic Organisation	1997	330	
International Institute for Democracy and Electoral Assistance	1997	331	
	1996	197	*
(* repealed by S.R.No. 1997 No. 331)			
International Jute Organisation	1997	261	
(* repealed by S.R. 1997 No. 261)	1984	52	*

International Lead and Zinc Study Group	1982	151	
International Maritime Satellite Organisation	1982	210	
International Organisations	1986	65	
(Declaration) (Repeal)	1982	154	*
(* repealed by S.R. 1986 No. 65)	1981	325	*
International Organisations	1986	63	
(Privileges and Immunities) (Repeal)	1963	13	*
(* repealed by S.R. 1986 No. 63)			
International Organisations (Privileges And Immunities of Specialised Agencies) (Repeal).	1986	64	
(* repealed by S.R 1986 No. 64)	1962	105	*
International Organisations (Privileges And Immunities of Certain Missions)	1992	272	
International Organisation for Migration	1993	107	
(* repealed by S.R. 1991 No. 457)	1991	457	
	1990	143	*
	1986	69	*
International Plant Genetic Resources Institute	1998	250	
International Rice Research Institute	1998	252	
International Sea-Bed Authority	1996	229	
International Sugar Organisation	1984	463	
	1982	153	
	1978	213	
International Tin Council	1991	261	

(* repealed by S.R. 1991 No. 26)	1982	155	*
International Tribunal for the Law of the Sea	1998	41	
International Tropical Timber Organisation	1984	477	
International Wheat Council	1982	152	
Joint Accreditation System of Australia and New Zealand	1998	136	
(* repealed by S.R. 1998 No.136)	1996	35	*
Multilateral Investment Guarantee Agency	1998	135	
Network of Aquaculture Centres in Asia and the Pacific	1998	66	
<b>Organisations Associated with the</b>	1986	111	
Asian and Pacific Council	1972	52	*
(* repealed by S.R. 1986 No.111)	1969	104	#
(# repealed by S.R. 1972 No.52)	1968	85	#
	1968	54	#
Organisation for Economic Cooperation and Development	1983	7	
<b>Preparatory Commission for the Organisation</b>	1993	108	
on the Prohibition of Chemical Weapons			
Societe Internationale de Telecommunications Aeronautiques (SITA)	1989	285	
<b>South East Asia Treaty Organisation (Repeal)</b>	1986	57	
(*repealed by S.R. 1986 No.57)	1967	50	*

South Pacific Bureau for Economic Cooperation	1992	162	
(* repealed by S.R, 1992 No. 162)	1986	74	*
	1973	114	*
South Pacific Commission	1986	75	
	1970	171	
South Pacific Forum Fisheries Agency	1984	476	
South Pacific Forum Secretariat	1992	162	
South Pacific Nuclear Free Zone Consultative Committee	1986	359	
South Pacific Regional Environmental Programme	1996	144	
Specialised Agencies	1992	238	
	1991	319	
	1989	341	
	1986	240	
	1986	67	
Tuvalu Trust Fund	1987	241	
Twelfth Antarctic Treaty Consultative Meeting (Repeal)	1986	56	
	1986	55	
(*repealed by S.R. 1986 No.56)	1983	151	*
(#repealed by S.R. 1983 No.55)	1983	32	#
United Nations	1986	241	
	1986	66	
World Tourism Organisation (Repeal)	1989	340	

(\*repealed by S.R. 1989 No.340)                      1984      276      \*

World Trade Organisation                      1996      24