

**UNOFFICIAL BRIEF SUMMARY OF TAXATION ON UN PENSION  
MONTHLY AND LUMP-SUM PAYMENTS FOR  
USA, UK, FRANCE, SWITZERLAND**

(powerpoint presentation with audio on [www.crelearning.com](http://www.crelearning.com))

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(New data welcome. Any possible errors can be corrected in Draft No. 9)

Objective: To help retiring UN staff members to understand the taxation on their UN pension in different countries, which may have complex tax and legal regulations, which change!. To encourage a better more official UN annual publication.

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## 1. Introduction

Objective: To help retiring UN staff members to understand the taxation on their UN pension in different countries, which may have complex tax and legal regulations. To encourage a better more official UN annual publication covering all relevant countries.

UN pension taxation is complicated by changing legislation in so many countries, usually presented in a mass of complex legal documents, covering every possible alternative, with annual changes.

Access to a professional may well be justified, after you have learned the basics here.

UN pensions involve an employee contribution and a UN contribution. Pensions may be fully taken monthly, or be reduced by a lump sum payment, limited to 33% of the total contributions. Complex factors have to be evaluated for the decision to take some lump sum payment, as the lump sum taxation varies in different countries.

Analysis to date: In some countries all UN pensions (monthly and lump sum) are tax free: Austria, Malta, Sweden, India, Singapore, Chile, UAE, Kuwait, Bahrain, Saudi Arabia, Malaysia, Thailand **Monaco, Costa Rica, Georgia, Gibraltar, Guatemala, Macau, Panama, Paraguay, Spain, The Bahamas, British Virgin Islands, Brunei, Cayman Islands, Turks & Calcos Islands, Vanatua, Anguilla** etc. and others to be identified.

Analysis to date: In some countries monthly pensions are taxable, but lump sum pensions are tax free: UK, Suisse, Denmark, Hungary, Portugal, Germany etc. and others to be identified.

Analysis to date: In some countries, monthly pensions and lump sum pensions are taxed in a special way: USA, Canada, France etc. and others to be identified.

For US citizens, UN pensions are taxable and relief is available for tax paid in other countries of residence. The figures in this analysis are estimates which in practice can be carefully corrected for each individual income level, tax rate and taxable location.

## **2. USA – Source IRS Publication 575 Pension and Annuity Income & IRS Form 4062 and the Simplified General Rule**

Complex regulations may justify professional advice.

For USA citizens and residents, the monthly pension benefit and lump sum benefit are both (with specific reductions) taxable as income.

However pension tax paid overseas may reduce any USA tax due. Hence for a US citizen, resident overseas there two sets of pension regulations and computations to be understood. Current residence country and USA.

IRS Form 4062 gives the Simplified General Rule for taxation on a UN pension.

Method: First, calculate tax-free recovery of the employee contribution over the number of months that the beneficiary (and spouse) are expected to live. Then compute the monthly pension less monthly tax free portion, as being subject to income tax as ordinary income. Then compute reduced balance of tax free employee contribution recovery each year, until all used up.

Taking a lump sum (33% of total employee and UN contributions) provides immediate cash. Taxable as the gross amount less 33% of employee contribution. It also reduces the monthly pension by 33% with the same tax free monthly benefit, but for a 33% reduced number of months.

Two exercises to reinforce the learning based on the following assumptions:

Employee contribution \$100,000. UN contribution \$200,000  
Retired joint age 121-130. 310 months life expectancy  
Monthly pension \$1,000. US Monthly tax free computation 322  
(\$100,000/310).

### **EXERCISE 1 – no lump sum**

USA Monthly pension \$1,000 less \$322, equals \$678, taxable as ordinary income.

## **EXERCISE 2 – with lump sum**

USA Lump sum payment now (33% of \$300,000) \$100,000.

Taxable lump sum, \$100,000 less \$33,333 (33% of employee contribution of \$100,000) equals \$67,667, taxable as normal income.

Estimated at say about 25%. Tax say about \$17,000.

USA Monthly pension \$1,000 reduced by 33% to \$667.

Monthly tax free period 33% reduced from 310 to 207 months.

USA Taxable monthly pension \$667 less \$322 = \$343

### **Summary Review Note:**

The USA system gives a tax free pension portion which is the monthly return of the employee contribution \$322 ( $100,000/310$ )

The monthly pension \$1,000 is taxed as normal income, but only after deduction of the employee tax free contribution \$678 ( $\$1,000 - \$322$ ).

The effect of taking a maximum (33%) lump sum \$100,000 is to use up 33% of the employee tax free contribution \$33,333 to reduce the taxable lump sum to \$67,667 ( $\$100,000 - \$33,333$ ).

This also reduces the monthly pension \$1,000 by 33% to \$667. With reduction of the monthly tax free \$322, the taxable monthly pension is then \$343.

The monthly tax free income benefit, is reduced (33%) from the original 310 months to 207 months.

A US citizen, resident abroad, can usually get USA tax relief to the extent of relevant foreign tax paid on the pension funds received.

### **3. UK - Source : British Association of Former UN Civil Servants FUNCS INF 5 (May 2013)**

Complex regulations may justify professional advice.

In the UK, the income tax position is related to residence and domicile status. If domiciled, assessed for income tax on worldwide income. If resident but not domiciled, assessed only on income remitted to UK.

Contact with HMRC can determine the UK residence and domicile status, before returning to the UK. Normally UK citizen returning after working for UN, is considered to be domiciled in the UK.

Monthly pensions are liable to UK income tax, after deduction of 10% allowance for pension income. Then the usual tax rate is applied as for normal income.

Lump sum payments are usually not taxable. Tax free! Hooray!

Two exercises to reinforce the learning based on the same assumptions:

Employee contribution \$100,000. UN contribution \$200,000  
Retired joint age 121-130. 310 months life expectancy  
Monthly pension \$1,000. US Monthly tax free computation 322.

#### **EXERCISE 1 – no lump sum**

UK: Taxable monthly pension \$1,000 less 10% = £900 taxable as normal taxable income

#### **EXERCISE 2 – with lump sum**

UK maximum lump sum \$100,000 (33% \$300,000) , received. No tax due. Tax free! Hooray!

UK monthly pension \$1,000 reduced by 33%, to become \$667.

UK Taxable monthly reduced pension \$667 less 10% = \$600 as normal taxable income

**4. France – Source: French tax regulation Code général des impôts, CGI. - Article 163 bis C & Robert Kent of Kentingtons - Tax and Investment Consultants. Web: Impots.gouv.fr**

Complex regulations may justify professional advice.

Monthly pensions are liable to French income tax, after deduction of 10% allowance. Then the normal income tax rate is applied.

Lump sum payments are taxable at a special rate of 7.5% with a further deduction of 10% of the tax due to 6.75%

A new law in 2011 taxing lump sum payments in a new way based on division by 15 and tax differential multiplied by 15) was not passed or enforced!

Two exercises to reinforce the learning based on the same assumptions:

Employee contribution \$100,000. UN contribution \$200,000  
Retired joint age 121-130. 310 months life expectancy  
Monthly pension \$1,000. US Monthly tax free computation 322.

**EXERCISE 1 – no lump sum**

France: Taxable monthly pension \$1,000 less 10% = \$900 as normal taxable income

**EXERCISE 2 – with lump sum**

France Maximum lump sum (33% \$300,000) \$100,000.  
France Taxable \$100,000 @ 7.5% = 7,500 less 10% = \$6,750 tax due

France Monthly pension \$1000 reduced by 33%, to \$667.

France Taxable monthly reduced pension \$667 less 10% = \$600 as normal taxable income

**5. Switzerland – Source - Département fédéral des finances DFF  
Administration fédérale des contributions AFC  
Division droit DAT Eidgenössische Steuerverwaltung ESTV  
Eigerstrasse 65 3003 Bern [www.estv.admin.ch](http://www.estv.admin.ch)  
D\_S+D Nr. 0005 / 06.06 /& Devis Luiz - consultant . Web: [ge.ch](http://ge.ch)  
impots**

Complex regulations may justify professional advice.

Two levels of income tax. Low income tax at Federal level. Higher Income tax at various Cantonal levels which differ significantly, with complex changing Cantonal legislations.

Monthly UN pension is fully taxed as normal income.

Lump sum UN payment is tax free, but would reduce the monthly pension by 33%.

Two exercises to reinforce the learning based on the same assumptions:

Employee contribution \$100,000. UN contribution \$200,000  
Retired joint age 121-130. 310 months life expectancy  
Monthly pension \$1,000. US Monthly tax free computation 322.

### **EXERCISE 1 – no lump sum**

Swiss Taxable monthly pension \$1,000 fully taxed as normal income.

### **EXERCISE 2 – with lump sum**

Swiss Maximum lump sum \$100,000 (33% \$300,000) .

Swiss Taxable income \$100,000 is tax free. Hooray!

Swiss Taxable monthly reduced pension is \$667 (\$1,000 less 33% ) taxable as normal income.

## **6. COMPARATIVE SUMMARY**

MONTHLY PENSION (\$)

	No lump sum		With lump sum	
	Monthly Pension	Monthly Taxable	Monthly Pension	Monthly Taxable
USA	1,000	678	667	343
UK	1,000	900	667	600
France	1,000	900	667	600
Swiss.	1,000	1,000	667	667

LUMP SUM PENSION (\$)

	Lump sum Amount	Lump sum Taxable	Tax Rate	Estimated Income Tax
USA	100,000	66,667	normal say about 25%	say 17,000
UK	100,000	nil	nil	nil
France	100,000	100,000	7.5% less 10%	6,750
Swiss.	100,000	nil	nil	nil

NOTE:

USA income tax is only an estimate, since the relevant tax rate depends on total income, allowances etc.

Overall in these countries, UN monthly and lump sum pensions are taxed well below normal income tax levels.

But in many other countries, UN monthly and lump sum pensions are not taxed at all!

## 7. USEFUL REFERENCES

Note: Getting the latest valid UN Pension monthly and lump sum, liability to taxation in some countries, may be difficult.

There are many web sources available with regulations but without calculations:

<http://wikitravel.org.retiringabroad>

<http://www.expatnetwork.com>

<http://www.internationalliving>

In some countries, the local interpretation and even enforcement of complex national regulations may vary very significantly e.g. domicile, residence, tax liability, tax rates etc. as the tax regulations may change annually!

### USA

IRS Publication 575 Pension and Annuity Income

IRS Form 4062 and the Simplified General Rule

National Taxation - Guide to national taxation of United Nations

Joint Staff Pension Fund benefits, with special reference to United States income taxation

### UK

British Association of Former UN Civil Servants

FUNCS INF 5 (May 2013)

### FRANCE

French tax regulation Code général des impôts, CGI. - Article 163 bis C  
Robert Kent of Kentingtons - Tax and Investment Consultants,  
robert.kent@kentingtons.com. Web: Impots.gouv.fr

Continuing ...

#### SWITZERLAND

[http://ge.ch/impots/D\\_3\\_08](http://ge.ch/impots/D_3_08) #Art41 Département fédéral des finances  
DFF Administration fédérale des contributions AFC  
Division droit DAT Eidgenössische Steuerverwaltung ESTV  
Eigerstrasse 65 3003 Bern [www.estv.admin.ch](http://www.estv.admin.ch)  
D\_S+D Nr. 0005 / 06.06 / Zusammenstellung internat-org-f-mit Korr  
Bn-2011-clean 04.07.12

Inventaire des Organisations internationales intéressant la Suisse au  
sujet desquelles des accords réglant des questions fiscales ont été  
conclus.

Web: [ge.ch](http://ge.ch) impots.

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#### **OTHER REFERENCES:**

National **Taxation** - UNJSPF website  
[www.unjspf.org](http://www.unjspf.org)

The **pension** fund at Geneva - **UN** Special  
[www.unspecial.org](http://www.unspecial.org)

**Tax** Booklet (RTF)  
[www.un.org](http://www.un.org)

Canadian association of former international civil servants - ICAO  
[www.icao.int](http://www.icao.int)

Q u a r t e r l y - World Health Organization  
[www.who.int/formerstaff/publications](http://www.who.int/formerstaff/publications)

etc. etc. to follow as the tax regulations may change annually!