

PE-338 Staff Rule No. 338 Annex I Reimbursement of Income Tax on Pensions

December 24, 1991

RULE

- 101 The Bank assures its eligible retirees a uniform and equitable base for pension income by reimbursing for taxes applicable to pension income received from the Staff Retirement Plan of the Bank after December 31, 1980.

DEFINITION

ELIGIBLE INCOME

- 201 All income payable under the Staff Retirement Plan(except payments received as withdrawal benefits), as well as long term disabilities benefits paid through the insurance plan of the Bank and any tax reimbursements received under this Staff Rule that are subject to tax by the laws of their country of citizenship or residence.

APPLICABILITY

INDIVIDUALS ELIGIBLE FOR TAX REIMBURSEMENT

- 301 All individuals who receive a pension (not to include withdrawal benefits) as a retiree or surviving spouse or a children's benefit under the Staff Retirement Plan that will be subject to tax by the laws of their country of citizenship or residence, will be eligible to receive tax reimbursements.

CALCULATION OF TAX REIMBURSEMENTS

- 401 The tax reimbursement calculation will be based upon actual income tax return information. Itemized deductions and personal exemptions will be allocated ratably to all sources of income including spouse income and outside income. The reimbursement will be equal to the tax on the eligible income less ratable amounts of deductions and exemptions. In the case of joint tax returns, a tax will be computed on eligible income plus spouse income.

PAYMENT OF TAX REIMBURSEMENTS

501 Most jurisdictions require the payment of estimated taxes on a quarterly basis. Therefore, each year in which tax reimbursements are expected to be payable, the Bank will advance funds to the retiree to make said estimated payments. Retirees receiving such advance payments will subsequently be required to establish their right to a tax reimbursement as described below by providing either copies of tax returns or, a Summary of tax return information on IDB Tax Form 7RC, to the Benefits and Payment Section.

ADVANCE PAYMENTS

502 The Bank will advance funds to retirees to make required estimated tax payments during each year for which the retiree expects to be entitled to a tax reimbursement.

- a) Initial Year of Eligibility: In the initial year during which a retiree becomes eligible for payments to cover taxes, such retiree will provide the Bank with an estimate of total taxes attributable to retirement income. Such estimates will be subject to a review for reasonableness by the Bank. Based upon these estimates and the review by the Bank, advances will be made to retirees to cover the estimated tax liability.
- b) Subsequent Years: For years after the initial year of eligibility, the Bank will continue to advance funds for tax payments as required on a quarterly basis. The first two quarterly advance payments will each equal 25% of the calculated advances required for the previous year. During the settlement process of the prior year's tax advances (described below), the total advance for the current year will be determined. This amount, less the advance payments already issued, will be paid in two equal installments in the third and fourth quarters. However, the advances for the third and fourth quarters will be reduced by any amounts due the Bank from the settlement calculations and amounts due the retiree will be paid with the third quarter advance. If the amount due the Bank is greater than the third and fourth quarter advances due the retiree, the balance payable to the Bank after deduction of such advances must be repaid before additional advances are issued.

SETTLEMENT

503 All retirees to whom tax advances are made and any other retiree who wishes to establish eligibility for tax reimbursement will be required, within the time limits established by the Bank, to submit to the Benefits and Payment Section either copies of tax returns or a summary on IDB Tax Form 7RC of amounts of income,

deductions and exemptions as shown on the retiree's tax returns. The Benefits and Payment Section will determine the tax reimbursement to which a retiree is entitled using the methodology described in Section II, Paragraph C. A retiree's failure to submit the documentation required will result in the suspension of tax reimbursements.

GENERAL DIRECTIVES

- 601 The Bank reserves the right to make appropriate adjustments in cases where following these provisions results in a substantial overpayment or underpayment relative to the employee's actual tax liability attributable to his Bank pension income.
- 602 The Bank also reserves the right, as a condition of processing future tax reimbursements, to request such other appropriate documentation as it might reasonably require to support the data supplied by the retiree which was relied upon by the Bank in the calculation of tax reimbursements. Tax returns which are submitted to the Benefits and Payment Section must include all supporting forms, schedules and exhibits which may be required to calculate the tax settlement. For verification of the data submitted on the IDB Form 7RC, upon request by the Bank, retirees will forward complete copies of their tax returns and supporting information determined to be necessary by the Bank to an independent third party to be paid for and appointed by the Bank. The independent third party will determine if information submitted to the Bank on Tax Form 7RC is accurate and, if any errors are discovered, the independent third party will provide the Bank with the corrected amounts.
- 603 The Human Resources Department has the authority to interpret the pension income tax reimbursement Staff Rule of the Bank and to establish those procedures necessary to implement it.