



Transition COUNCIL
2nd session - FAC
meeting



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Future financial impacts of the change of status

Information paper drafted by the Secretariat

1. INTRODUCTION

The purpose of this document is to present the financial impacts of the change of status on the 2025 budget. The transfer of rights, assets, liabilities and staff are expected to take place in early 2025, following the entry into force of the privileges and immunities provided for in the Headquarters Agreement.

2. FINANCIAL IMPACTS ON THE BUDGET

2.1 Identified savings

Internal Tax: as per Article 11.2 of the Headquarters agreement, the salaries which are paid to the permanent members of staff will be exempt from French income taxation. In lieu, a 5% internal tax will be applied and deducted from monthly remunerations. This will constitute a new source of income for IALA.

Social contributions and taxes: Some social contribution such as the Vocational training contribution, apprenticeship tax and corporation tax should no longer be due.

Corporate flats: internationally recruited staff will receive a housing allowance instead of, in some cases, a company flat. Only the Secretary General will benefit from a company flat. Therefore, two apartments will be returned.

Benefit in kind: allowances paid to staff members will no longer be considered as taxable benefits in kind.

VAT: the VAT (20%) paid by the Organization for purchases over €150 will be refunded by the French Government. The expenditure will be recorded for their gross amounts excluding VAT.

Staff Savings Plan: the IALA's contributions to the collective saving scheme called PEE will cease.

Staff provisions - There are currently three provisions recorded in the balance sheet:

- The pension provision created in the accounts pursuant to Collective Agreement, which is no longer applicable to the IGO, will be cancelled in the accounts, resulting in a saving of approximately €184K.
- The provision for holiday pay and the contractual provision for termination indemnity shall be maintained but recalculated on the basis of the new Staff Rules.



2.2 New expenses

Compensation in salaries: to compensate for the loss of certain allowances, salary adjustments may be granted to transferred staff only. Newly recruited staff will follow the Staff Rules approved by the Council.

Organizational chart: the recruitment of a Document Controller is foreseen in 2025.

Translators: It is not anticipated to recruit translators. IALA will initially rely on the support from Members states as stated in the resolution from Kuala Lumpur. Regular translations, proofreading and quality check of documents will as an initial step be made by IALA staff, translation groups and external translation companies. A new budget line will be created to reflect fees paid to professional external translators.

New staff allowances: Staff will remain under the existing French social security system, but additional allowances will be budgeted such as Education grants, reimbursement of expenses when taking up appointment and on separation, mobility incentive and housing allowances.

Meeting rooms: IALA may rent meeting rooms until the Organization moves to a larger place.

Adoption of the International accounting standards: provisions will be made in the budget to cover the costs of implementing new International Accounting Standards, as proposed at the Conference on the General Regulations and Financial Regulations in Tokyo.

Contributions: The calls for contributions will be sent in October 2024 for the year 2025, based on the rates approved by Council 80, for all categories even for Members States who ratified the Convention and have been transferred to the IGO. The General Assembly will approve new rates for 2026/2027 and the three-year budget (2025/2026/2027).

CONCLUSION

The annex shows that the anticipated new costs should be compensated by the savings, at least in 2025.

The financial impacts provided in the annex are an estimate. They need to be confirmed after consultation with URSSAF (the Organizations for the Collection of Social Security and Family Benefit Contributions) and KPMG, the Chartered accountant.

The positive result is also based on the assumption that at least 80% of the Nationals and Members States will transfer and pay their contributions in time. Some countries may have difficulty paying their outstanding contributions.

Main financial impacts in 2025

