Staff Rule 6.02 - Dependency (Tax Equivalency) Allowances

Content
This Directive, Staff Rule 6.02, "Dependency (Tax Equivalency) Allowances," (hereinafter Rule) sets forth the provisions governing the payment of dependency (tax equivalency) allowances to Headquarters' Staff Members.

Applicable to
IBRD, IDA, IFC, MIGA, ICSID

Issuer
Vice President, HRDVP; Chief Executive Officer, IFCEO; Executive Vice President, MIGEX

Sponsor
Director, HRDPC; Director, CHRDR; Director, HRDCS
SECTION I – PURPOSE AND APPLICATION

1.01 This Directive, Staff Rule 6.02, "Dependency (Tax Equivalency) Allowances" (hereinafter Rule) sets forth the provisions governing the payment of dependency (tax equivalency) allowances to Headquarters' Staff Members.

1.02 This Rule applies to Staff Members of the Institutions of the World Bank Group paid on a net-of-tax basis holding a Regular, Open-Ended, Term or Executive Director's Advisor appointment in a position subject to international recruitment or in a position subject to local recruitment at Headquarters.

SECTION II – DEFINITIONS

2.01 Capitalized terms in this Rule have the meanings ascribed to them in Staff Rule 1.01, "General Provisions," and as follows:

a. Child:
   i. is an unmarried natural son or daughter of the Staff Member, or
   ii. is an unmarried stepson or stepdaughter resident in the Staff Member's household, or
   iii. is a legally adopted son or daughter of the Staff Member where a "bona fide" parental relationship exists as defined in paragraph 4.03 of this Rule.

b. Handicapped is a physical or mental incapacitation for substantial gainful employment permanently or indefinitely, as determined by the Manager, HR Operations or his/her designee.

c. IBRD: International Bank for Reconstruction and Development.

d. ICSID: International Centre for Settlement of Investment Disputes.

e. IDA: International Development Association.


g. Income, when used with reference to a Staff Member's spouse or Child, is the gross income for a calendar year in U.S. dollars or the U.S. dollar equivalent if the income is in another currency. It does not include the principal of inheritances or gifts, but does include income received from them. Gains or losses on sales of capital assets are also excluded, except those arising in the regular course of carrying on a business, such as dealing in real estate or securities. Income from carrying on a business means gross receipts less business expenses. If the income is net-of-tax, the Accounting Department will determine its gross equivalent by using standard Bank Group procedures for determining the gross incomes of Staff Members. If the income is in a currency other than U.S. dollars, the
Accounting Department will determine the U.S. dollar equivalent by using the book rate of exchange in effect as of the end of the calendar year in question.

h. Income of a Dependent Child: For purposes of the administration of this Rule, the gross income of a dependent child may not exceed USD $10,712 per calendar year. Gross income for a dependent child is determined as follows:

i. For a dependent Child of a newly hired Staff Member, the Child's gross income is considered starting from the Staff Member's entry on duty date through the end of the calendar year of such entry, and for each complete calendar year thereafter.

ii. For all other dependent Children, gross income is considered starting from the date the Child ceases to be a full-time student through the end of the calendar year of such cessation, and for each full calendar year thereafter.

iii. A dependent Child's income from temporary or part-time employment while a full-time student is disregarded.

i. MIGA: Multilateral Investment Guarantee Agency.

j. World Bank Group or WBG: The common name used for concurrent identification of all the WBG Institutions.

k. WBG Institutions or Institutions: Any one of the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA), and International Centre for the Settlement of Investment Disputes (ICSID).

l. World Bank: IBRD or IDA, or both, as applicable.

SECTION III – SCOPE

03. Allowance for Spouse

Amount of Allowance

3.01 Subject to Section 5, "Reduction of Allowance," of this Rule, a married Staff Member is eligible for an allowance for his/her spouse equal to five percent of the Staff Member's Net Salary subject to a maximum of USD $3,500 a year. No such allowance is paid to a Staff Member who is legally separated from his/her spouse under an order from a court of competent jurisdiction. For Staff on reduced work schedules, the amount of this allowance will be pro-rated based upon the proportion of time the established reduced work schedule bears to full-time work.

Commencement of Allowance

3.02 Unless otherwise provided for in paragraph 7.02 of this Rule, eligibility for an allowance for a spouse commences on the latest of:

a. the date a married Staff Member enters on duty; or
b. the date an unmarried Staff Member marries; or

c. the date on which the change of a married Staff Member's appointment to a type of appointment to which this Rule applies becomes effective.

Cessation of Allowance

3.03 Unless otherwise provided for in paragraph 7.02 of this Rule, eligibility for an allowance for a spouse ceases on the earliest of:

a. the date on which the Staff Member's service ends in a type of appointment to which this Rule applies; or

b. the date of the divorce or legal separation under an order of a court of competent jurisdiction; or

c. the death of the spouse.

04. Allowance for Dependent Children

Qualification for Allowance

4.01 A Staff Member is eligible for an allowance for each Child who:

a. is under 19 years of age; or

b. is handicapped; or

c. is under age 25 and either:

i. is a full-time student; or

ii. has an income for the calendar year (from employment or other sources) of less than the amount specified in the definition of Income of a Dependent Child of this Rule. In the case of a Child who ceases to be a full-time student, the relevant income is that received after ceasing to be a full-time student.

4.02 The Staff Member and his/her spouse must provide at least one-half of the child's financial support.

Adopted Children

4.03 An allowance is payable in the case of an adopted Child unless the Manager, HR Operations or his/her designee, determines that a "bona fide" parental relationship does not exist. A "bona fide" parental relationship is presumed to exist unless otherwise determined, considering:

a. the relationship of the Child to the Staff Member by blood or marriage, if any, and whether one or both of the natural parents are living;
b. whether the Child forms part of the Staff Member’s household;

c. whether at least half the financial support of the Child is provided by the Staff Member and his/her spouse without regard to Bank Group or other employer-provided benefits; and

d. the Child’s age at adoption.

**Amount of Allowance**

4.04 Subject to Section 5, "Reduction of Allowance," of this Rule, the amount payable for each dependent Child is USD $600 a year. For Staff on reduced work schedules, the amount of this allowance will be pro-rated based upon the proportion of time the established reduced work schedule bears to full-time work.

**Augmented Allowance for a Child**

4.05 A Staff Member who is not married or legally separated under an order of a court of competent jurisdiction is eligible for an augmented allowance for one Child if an allowance is otherwise payable for the Child under paragraph 4.01 of this Rule, and the Child is a resident in the Staff Member’s household at the duty station. The augmented allowance is payable instead of the allowance under paragraph 4.04 of this Rule, and is five percent of the Staff Member’s Net Salary subject to a maximum of USD $3,500 a year. For Staff on reduced work schedules, the amount of this allowance will be pro-rated based upon the proportion of time the established reduced work schedule bears to full-time work.

**Commencement of Allowance**

4.06 Unless otherwise provided in paragraph 7.02 of this Rule, eligibility for an allowance for an eligible Child commences on the latest of:

a. the date on which a Staff Member enters on duty;

b. the date of:
   i. the birth or adoption of the Child; or
   ii. the date upon which a Child, if the Child is at least 19 years of age, but under age 25, becomes a full-time student; or
   iii. the date upon which the Manager, HR Operations, or his/her designee, determines that a Child, if the Child is at least 19 years of age, is handicapped; or
   iv. the date upon which a Child under age 25 no longer has an income for the calendar year (from employment or other sources) in excess of the amount specified in the definition of Income of a Dependent Child of this Rule.

c. the date the change of a Staff Member’s appointment to a type of appointment to which this Rule applies becomes effective.

**Cessation of Allowance**
4.07 Unless otherwise provided in paragraph 7.02 of this Rule, eligibility for an allowance for a child ceases on the earliest of:

a. the date on which the Staff Member's service ends in a type of appointment to which this Rule applies; or

b. the occurrence of the latest of:
   i. the date the Child reaches age 19; or
   ii. the date the Child ceases to be handicapped; or
   iii. the date the Child ceases to be a full-time student or reaches age 25, whichever comes first; or
   iv. the date the Child has an income for the calendar year (from employment or other sources) in excess of the amount specified in the definition of Income of a Dependent Child of this Rule.

c. the date the Child marries; or

d. the date of death of the Child.

4.08 If eligibility for an allowance for a Child ceases and the Child again becomes a full-time student, the allowance recommences on the date the Child becomes a full-time student, provided the Child is at least age 19 but under age 25 and unmarried.

05. Reduction of Allowance

5.01 When the income of a Staff Member's spouse exceeds USD $30,000 gross in a calendar year, the sum of the allowances payable under Section 3, "Allowance for Spouse," and Section 4, "Allowance for Dependent Children," of this Rule, will be reduced by 1 percent for each USD $1,000 of spouse income over USD $30,000 gross. In cases where the Staff Member cannot certify that the spouse's income is USD $30,000 or less, no dependency allowance is payable unless the amount of spouse income is reported.

06. Bank Group and Bank Group/IMF Couples

Bank Group Couples

6.01 When both spouses are Bank Group Staff Members, each is eligible for an allowance for the other under Section 3, "Allowance for Spouse," of this Rule, provided that the sum of the two allowances does not exceed the spouse allowance attributable to the higher salary. The couple is eligible to receive one allowance for each dependent Child under Section 4, "Allowance for Dependent Children," of this Rule. The total allowance will be divided between the spouses according to their respective Net Salaries. The reduction provided for in Section 5, "Reduction of Allowance," of this Rule does not apply to these allowances.

6.02 When one spouse of a WBG couple terminates employment with the WBG Institution, the other spouse who remains an active Staff Member certifies his or her spouse's income for the
preceding calendar year. The certification is submitted within 30 days after termination of the spouse’s employment to continue to receive the allowance. The provision for reduction of allowance under paragraph 5.01 of this Rule applies.

Bank Group/IMF Couples

6.03 When both spouses are Staff Members of the Bank Group and IMF, either, but not both, may apply with the written consent of the other to his/her organization for an allowance for the spouse and any dependent Children. The amount of the allowance will be based on the Net Salary of the Staff Member applying for the allowance. The reduction provided for in Section 5 of this Rule does not apply to these allowances. No allowance will be paid until a written application signed by both parties is submitted.

07. Payment of Allowance and Certification

Payment

7.01 A dependency allowance will be paid on a semi-monthly basis along with the Staff Member’s salary. Allowances will be calculated as of July 1 of each year based on the Staff Member’s certification of eligible dependents and dependents' income, for the prior calendar year.

Reporting Changes

7.02 A Staff Member eligible to receive an allowance or receiving an allowance under this Rule shall report and provide certification within 60 days of any event that affects either qualification for allowance, or amount of allowance. If reported within 60 days of the event, any change in the allowance will be made retroactive to the date of the event. If reported after more than 60 days of the event, any change in the allowance will be administered as follows:

a. any allowances payable to the Staff Member as a result of the occurrence of the event will be paid as of the date of the receipt of such reporting and certification; or

b. if the event results in a reduction in the allowance, the Bank Group’s overpayment of the allowance shall be calculated retroactive to the date of the event, and collected in accordance with Staff Rule 11.01, "Claims."

Certification

7.03 Staff receiving an allowance under this Rule shall provide and certify information requested by the Bank Group to demonstrate eligibility for the allowance. Certification is normally required once per year or as otherwise specified in the Rule. The Director, HR Employment, Compensation and Systems or his/her designee, may request that Staff provide and certify relevant information at other times. Failure to provide and/or certify information by the deadline specified in such request will immediately result in reduction or termination of further allowance payments until the Staff Member certifies the information. The allowance will be resumed effective from the date of the receipt of the certification. Should a certification result in a reduction in an amount of allowance, the Bank Group, in accordance with Staff Rule
11.01, "Claims," will initiate recovery through payroll deduction of past allowance payments that were not due to the Staff.

Effect on Retirement and Insurance Plans

7.04 Allowances are not considered for purposes of determining staff retirement plan benefits and contributions, or benefits under the medical and life insurance plans.

SECTION IV – EXCEPTION

None

SECTION V – WAIVER

The Issuers, or their designees, may waive any provision of this Rule, with respect to their Staff Members, with advice from the World Bank Group Human Resources Vice President.

SECTION VI – OTHER PROVISIONS

None

SECTION VII – TEMPORARY PROVISIONS

None

SECTION VIII – EFFECTIVE DATE

This Directive is effective as of the date on its cover page.

SECTION IX – ISSUER

The Issuers of this Directive are as stated on its cover page.

SECTION X – SPONSOR

The Sponsors of this Directive are as stated on its cover page.

SECTION XI – RELATED DOCUMENTS

Directive, Staff Rule 6.04 – Tax Allowance

Directive, Staff Rule 6.19 – Tax Supplements on Staff Retirement Plan Benefits
Questions regarding this Directive should be addressed to the Sponsor.