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THE TAX LAWYER

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### IMF's Christine Lagarde: 'I Don't Pay Taxes, But You Should'

Politics can be merciless, and the IMF is political even if it's not a country. IMF chief Christine Lagarde suggested in an interview with UK's [Guardian](#) that the Greeks should pay their taxes. It turns out Ms. Lagarde—legitimately—doesn't pay them herself.

In fact, her IMF salary of \$467,940 plus an \$83,760 additional allowance is not subject to any taxes. See [Christine Lagarde, Scourge of Tax Evaders, Pays No Tax](#). No taxes is the norm for most United Nations employees covered by a convention on diplomatic relations signed by most nations. If you look at salaries, those working for the IMF, World Bank, and UN can stretch their dollars.

Of course, Americans face famously complicated tax rules including worldwide reporting. See [Expats Lobby For Tax on Residence, Not Worldwide Income](#). Does that mean American employees of the UN and its affiliates like the IMF and World Bank have to pay U.S. tax? Not exactly.



Christine Lagarde at a UMP rally for the 2010 French regional elections campaign in Issy-les-Moulineaux. (Photo credit: Wikipedia)

Most countries do not require their citizens to pay taxes if they work for the UN. The U.S. participated in that arrangement until 1947. But then Congress passed a resolution preventing the UN from creating what it saw as nationals who were not subject to normal responsibilities of citizenship.

To compensate, the UN developed a procedure for reimbursing the income taxes paid by its U.S. citizen employees. See [Tax Holiday? For UN Employees. A Permanent Vacation](#). The UN website says this: [U.S. Income Tax: Frequently Asked Questions](#).

**Who is subject to U.S. income taxation on UN earnings?** U.S. citizens and permanent residents who have signed the [Waiver of Rights, Privileges, Exemptions and Immunities](#) (the waiver) are subject to U.S. income tax on their UN earnings ([latest tax circular](#)). In addition, U.S. citizens serving in the U.S. are subject to self-employment tax on their UN earnings. The UN reimburses those staff members who have to pay the U.S. income taxes due on their UN earnings as well as one half of the related self-employment taxes payable by U.S. citizens.

As for Ms. Lagarde, gaffe notwithstanding, she is entitled to the IMF benefit. Perhaps she is also entitled to tell others to pay their taxes. Still, the Greeks may be understandably sensitive these days. They surely would prefer Ms. Lagarde to say something more like: “pay your tax unless you have legal and authorized ways not to.”

For more, see:

[Greek Payback Time—IMF’s Lagarde Quickly Becoming Part Of The Problem](#)

[IMF’s Lagarde: Let EU Bailout Funds Go To Banks Without Sovereign Pit Stop](#)

[IMF’s Lagarde To US: Please Send Checks](#)

[Anger over Lagarde’s tax-free salary](#)

[Should We Renounce \(The Expat Tax\)?](#)

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*Settlement Payments (4th Ed. 2009 with 2012 Supplement, [Tax Institute](#)), he can be reached at [Wood@WoodLLP.com](mailto:Wood@WoodLLP.com). This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*