

Guide:	Overseas Allowances	Guide ID:	OVS
Policy Title:	International Assignment – Overseas Allowances	Policy Number:	PY-OVS-PL-01
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International Assignment – Overseas Allowances

This policy applies to faculty and staff sent from the US on international assignments and paid on the University payroll. Local hires in a foreign country are paid locally and are covered by local guidelines.

Allowances may be available for full-time employees relocating for international assignments with a planned duration of one year or more. The type and amount of the allowances will vary according to the country of the assignment. US Department of State guidelines will be used to determine the amount of the allowances, as needed.

Allowances should be included in proposals for sponsored award and contract (“awards”) budgets. Overseas allowances are pay supplements and are not included in regular salary or benefits base salary; the TLC benefit rate is applied to overseas allowances paid.

Generally, there are three types of allowances: housing, living and education. There are two classifications of allowances: core and supplemental. However, if the allowances are to be paid from a funding agency that defines allowances differently, that agency’s definition will apply.

- Core allowances – available to qualified employees on international assignment; paid by a direct charge to the grant or other departmental account.
- Supplemental allowances – available based on facts and circumstances that would substantiate and justify the need in order to treat such employees equitably; paid by a direct charge to the grant or other departmental account.

Allowances are either paid directly to the employee through payroll or paid on an employee’s behalf to a third party for services or benefits received by the employee. Payments made on behalf of an employee are paid either through Accounts Payable or an imprest fund in country. These payments must also be processed through payroll as non-cash allowances so that the amount is included in the employee’s taxable income. For example, if the University leases housing for the employee, an ISR would be done for the value of the housing using the Non-Cash Overseas Housing Allowance.

University provided housing and payments on behalf of the individual

Employees will be taxed for the value of the housing based on the actual cost for housing when the University owns, rents or leases housing (living quarters). The value should be added per pay over the appropriate pay periods. For example, a two-year lease is paid for housing. The amount should be converted to US dollars, and divided by 48 pays (2 years). An ISR would be submitted using the Non-Cash Overseas Housing Allowance for the two year period for the employee. The ISR should be done each time a lease is initiated or renewed.

However, when an employee is required to accept lodging on the business premises of his employer as a condition of his employment, these payments may not be taxable income and would not have to be reported. Contact the Tax Office to discuss the circumstances, if this situation arises.

As circumstances warrant, other payments, such as personal travel, may be made to third parties on behalf of an employee using either an imprest fund or directly through Accounts Payable. These payments need to be reported as taxable income to the employee. The value should be reported after the expense is paid using the Bonus Supplement ISR, see below. For example, if an employee's family's airfare is paid. The amount attributable for the personal travel needs to be reported as a Non-cash Overseas Allowance – Other. [struggling with a good example.]

Medical Evacuation Payments

Transportation, travel and temporary lodging expenses for emergency medical evacuations from international post of assignment to the U.S. or other designated point are covered under University personal accident insurance (PIA) plan and such amounts are not taxable to the employee if covered by the PIA plan. Any other payments related to medical evacuation should be paid using the living allowance and would be taxable to the faculty or staff member. If a payment is made on the employee's behalf, it needs to be reported using the Bonus Supplement ISR.

Bonus Supplement ISR

All allowances must be processed through payroll, using the Internal Service Request (ISR): Bonus/Supplemental Pay whether the allowance is paid directly to the employee or paid on the employee's behalf by choosing the appropriate Wage Type.

Payroll Wage Type	General Ledger Account	Description
3023	615008	Overseas Hazardous Duty Allowance
3024	n/a	Non-cash Overseas Housing Allowance
3043	616005	Overseas Housing Allowance
3044	616008	Overseas Living Allowance
3042	616009	Overseas Education Allowance
3090	616010	Overseas Transportation Allowance
3091	n/a	Non-cash Overseas Allowance – other ¹
3035	652501	Moving Expense (Taxable)
3038	n/a	Non-cash Moving allowance (taxable)

Non-cash allowance wage types are used when the allowance has been paid on behalf of the employee.

¹This is used for any allowances other than housing that is paid on behalf of a faculty or staff member.

General Ledger Accounts and Taxability of Allowances

Allowances for Relocation for International Assignments (one year or more)

	General Ledger Account (Payment to Employee)	General Ledger Account (Payment to 3rd Party)	Taxable to Employee?

University Benefits			
Medical Evacuation Payments Transportation, travel and temporary lodging expenses for emergency medical evacuations from international post of assignment to the U.S. or other designated point – Employee is covered under Personal Accident Insurance; payment under the plan are not taxable.	N/A	N/A	NO
Core allowances - direct cost (grant/department) - based on US Department of State Guidelines			
Post Differential – Living Allowance Percentage of base pay (5, 10, 15, 20 and 25%) for environmental conditions significantly worse than the U.S. (Cost of Living Differential)	616008	N/A	YES
Post Allowance – Living Allowance An allowance based on a percentage of "disposable income" that varies depending on salary and family size. (Cost of Living Differential)	616008	N/A	YES
Living Quarters Allowance (LQA) – Housing Allowance Allowance provided for private housing, intended to cover most if not all expenses for rent, utilities and other allowable expenses. If security guard service is provided, this is also taxable.	616005	652505	YES
Temporary Quarters Subsistence Allowance (TQSA) – Housing Allowance To assist with "temporary" lodging, meals, laundry and dry cleaning in the foreign area prior to occupying permanent quarters or upon final departure from the foreign post after vacating permanent quarters.	616005	652505	YES
Home Service Transfer Allowance (HSTA) – Living Allowance When transferring from a foreign area back to the U.S., as long as the employee agrees to work 12 more months for the University. This allowance is also available to family members who relocate to the U.S. following the death of the employee assigned to the foreign area.	616008	N/A	YES
Shipment of Personal & Household Effects – Moving Expense Shipment of personal and household effects to and from an international post assignment, and storage of household goods, see moving expenses (relocation) guidelines and federal guidelines for foreign travel.	652501	652501	See Guidelines
Education Allowance & Travel – Education Allowance To provide for education costs (grades K-12) that would normally be free of charge in the U.S. Also, allows for one round trip annually between school attended in the U.S. and the foreign post of assignment. The travel portion of this allowance is primarily intended to reunite a full-time undergraduate college, technical or vocational school child with the employee/parent serving in the foreign area.	616009	N/A	YES
Evacuation (Security) Payments – Foreign Travel Paid when an employee/family member(s) is authorized or ordered to evacuate a foreign post for security reasons.	652101	652101	NO
Personal Mail Forwarding Service – Contractual Services Payment of initial set-up and monthly fees for mail forwarding service to international post of assignment	N/A	640301	NO

Travel – Home Leave/R&R – Living Allowance Air transportation from international post to home of record and lodging while en route provided to employee and authorized dependents	616008	652507	YES
Travel - Family Emergency – Living Allowance Air transportation from overseas post to home of record for family emergency	616008	652507	YES
Supplemental allowances - direct cost (grant/department) - based on US Department of State guidelines			
Separate Maintenance Allowance – Housing Allowance Paid to help maintain family member(s) at other than the foreign post of assignment. Involuntary SMA: when family members are prohibited from residing at the foreign post. Voluntary SMA: when family members may go to foreign post but opt not to for personal reasons.	616005	652505	YES
Foreign Transfer Allowance – Living Allowance This allowance is available when transferring from the U.S. to a foreign area or between foreign areas.	616008	N/A	YES
Danger Pay – Living Allowance Percentage of basic compensation (15, 20 or 25%) paid for imminently dangerous conditions when the official U.S. community is target of political violence. In addition to being paid to permanently assigned personnel, it may be paid to employees on temporary duty or detail to the post.	616008	N/A	YES
Extraordinary Quarters Allowance (EQA) – Housing Allowance Allowance provided when employee and family members must partially or completely vacate permanent quarters during foreign tour due to circumstances that cause the kitchen or entire home uninhabitable. May continue to receive post allowance and LQA when receiving this allowance. (DSSR 138 and 960 EQA Worksheet).	616005	652505	YES