

*Confidential*

**SECRET**

6

*0+4  
double space*

**CHANGES IN DIFFERENTIALS**

The Organization frequently receives communications from overseas personnel, [redacted]

25X1C  
25X1C

[redacted] commenting on reductions in foreign post differential rates. Communications have at times contained statements that such reductions represent a "breach of faith" inasmuch as the individual accepted employment at a particular post for a definite amount of total compensation.

Personnel who accept foreign assignments are advised

*In* the course of preparation and processing, ~~therefor~~, of the nature <sup>the</sup> and basis for determining the amount, ~~not only of~~ *of post* differentials ~~rates~~ <sup>and of</sup> all allowances, <sup>are</sup> and ~~the~~ further informed of the important fact, that differentials and allowances are subject to periodic revision. Failure to <sup>remember this</sup> recall ~~such~~ advice may be the <sup>reason</sup> ~~cause~~ for taking exception to <sup>later</sup> future changes in allowances. Accordingly, personnel are again reminded that:

1. The differential is considered to be a bonus in the form of additional compensation for service at a less desirable post, and as such it is subject to income tax.

*Confidential*

**SECRET**

This document is part of an integrated file. If separated from the file it must be subjected to individual systematic review.

- Confidential*  
~~SECRET~~  
*Refer*
2. Differentials are calculated upon criteria prescribed by statutes and executive order, which provide that a differential may be authorized when, and only when, living conditions at a post differ substantially from living conditions in our country; particularly when a post imposes <sup>an</sup>extrordinarily difficult living conditions, excessive physical hardships, or notably unhealthful conditions.
  3. All foreign assignments are expected to involve some difference in living conditions in comparison with those in our country. Only when this difference develops hardship to a predetermined minimum is a <sup>percent</sup>10% differential warranted. Successively greater degrees of difference result in differentials of <sup>percent percent percent</sup>15%, 20%, and 25%.
  4. Differentials are a recruitment and retention incentive to personnel who are willing to accept assignments involving unusual hardships. Nevertheless, reviews must be undertaken periodically to determine the need for continuance. <sup>By</sup>~~The~~ order, ~~requiring such re-examination of differentials~~ is required a review at least annually/ of the places

*Confidential*  
~~SECRET~~  
designated, the rates fixed, and the regulations prescribed, ~~with a view to making such changes as~~ will <sup>to</sup> insure that the payment of additional compensation ~~shall~~ continue only during the continuance <sup>while</sup> of conditions justifying <sup>this</sup> such payment and ~~shall~~ <sup>that do</sup> not in any instance exceed <sup>(what is)</sup> the amounts justified.

5. Differential rates are accordingly revised when periodic reviews disclose changes in living conditions. Reviews may disclose a gradual improvement at a post, yet the current degree of improvement <sup>may</sup> ~~be~~ not <sup>be</sup> sufficient to warrant an immediate decrease in the differential. <sup>However,</sup> ~~Likewise,~~ an accumulation of gradual improvements noted by succeeding reviews may be the basis for a decrease at a later date. Such a decrease could become effective while an individual is en route to the post or shortly after arrival.

It is believed a better understanding of the purpose and basis for determining foreign post differentials will ~~be~~ ~~of mutual benefit to~~ all concerned.