

LCC INTERNATIONAL UNIVERSITY  
**DEVELOPING YOUR FUNDING PLAN**

Publication Date: April 2007

Contents

**BuildingYourBudget** ..... p.1

**introduction**..... p.2

**budget timeframe** ..... p.2

**budget adjustments**..... p.2

**budget categories**..... p.2

**basic costs** ..... p.2

**monthly costs**..... p.3

**optional costs**..... p.4

**Fundraising**..... p.5

**introduction**..... p.5

**support raising model** ..... p.6

**the discernment process**..... p.6

**developing a support group**..... p.7

**raising financial support** ..... p.7

**using lcc to issue tax receipts**..... p.10

**canadian checks** ..... p.10

**us checks**..... p.10

**Other Ways to Give** ..... p.10

**faq’s – fundraising**..... p.11

**Appendix1** ..... p.12

**canadian employee tax policy** ..... p.12

**Appendix2**..... p.15

**us employee tax policy** ..... p.15

## **introduction**

---

One of the most commonly asked questions about service at LCC is “How much will it cost?” This is an important consideration when making the decision to serve. It is also a significant piece in the preparation process before your departure. Coming up with a plan to fund your service will take some time. One of the first steps is to determine what your total budget will be.

## **budget timeframe**

---

The first question to consider is the time frame that will be included in your budget. If your term of service falls within one academic year (August to July) we suggest you build your budget for your entire term of service. If you are on a multi-year assignment or your term crosses academic years, we recommend that you build a budget only for the current academic year. You can then use this information to estimate costs for future years. The academic year brings a clear starting and ending point and will assist you and LCC in tracking your fundraising and expenses.

## **budget adjustments**

---

The budget you prepare from this information will be the best estimate you can make at this time. LCC will work with you at refining these numbers, as some of the costs become more concrete. For example, when we know the actual costs of your travel, or we find out exactly what your monthly rent will be, we will make adjustments to your budget to reflect these figures. You may also find that you want to make changes during your service term. For example, you may find that your living allowance is too low or too high. These changes can be made throughout the year with the Expatriate Recruitment Director in Lithuania. You will also be updated on a monthly basis as to how any budget adjustments you make will affect your fundraising needs.

## **budget categories**

---

Your various costs of service can be broken down into three categories:

**1. Basic Costs**

**2. Monthly Costs**

**3. Optional Costs**

Each of these cost categories are explained further below. You will want to consider each category in light of your personal needs. You will notice that there are a number of cost choices that can be made depending on your individual or family preferences. It is important to recognize that this information should be used as a guideline only. The budget you develop will be adjusted as time goes on and actual costs are determined.

### **1. BASIC COSTS**

Basic Costs are those that apply to everyone regardless of the length of the service assignment. If your service assignment is more than one year, you can think of these costs as occurring once during each year of service. Basic Costs include travel, medical insurance, and your Temporary Residence Permit.

#### **A. Travel**

Travel costs vary depending on the departure city and the time of year you are traveling. Summer fares tend to be higher than winter fares. Travel estimates listed below are based on return airfare from major gateway cities in North America. Connecting flights to a major gateway

city may result in additional cost. Your travel to and from LCC is a non-taxable item in your budget. Please see Appendix 1 and 2.

Adult	\$1,000-\$1500 USD
Child 2-11	60% of adult fare
Child Under 2	10% of adult fare

**B. Medical Insurance**

Medical insurance varies in cost based on the age and health condition of the individual as well as the particular policy. Your current medical coverage may also determine what type of future coverage you may need. We recommend that you first research the type of policy you would like. Once this is determined, you will be able to obtain cost estimates. If you are under LCC’s group insurance plan, this is a non-taxable item in your budget. You can find more information about Medical Insurance in the “*Preparing For Service*” handbook.

**C. Temporary Residence Permit**

The total cost of obtaining your Temporary Residence Permit involves not only the actual cost of the permit itself but also the costs of any documents and mailing charges associated with the application process. You can find more information about documents and the application process in the “*Preparing For Service*” handbook. [This is a non-taxable item in your budget.](#) The actual costs associated with the permit itself are:

Approximately \$165 USD (452 LTL payable after your arrival in Lithuania)

**2. MONTHLY COSTS**

Monthly costs relate directly to the length of your service assignment. Once you have determined your Monthly Costs, multiplying this by the number of months you will be serving will give you the total of your Monthly Costs for your service assignment. Monthly Costs include your rent and your living allowance.

**A. Rent/Housing Allowance**

Rent will vary based on the size and location of your apartment. For more information about Apartment Living refer to the “*Preparing For Service*” handbook. The estimates below include an allowance for utilities costs based on average usage. Your actual utilities costs per month will depend on your usage. This is a taxable item in your budget.

1 Bedroom Apartment	\$300 - \$400 USD per month
2 Bedroom Apartment	\$400 - \$500 USD per month
3 Bedroom Apartment	\$500 - \$700 USD per month

**B. Living Allowance**

The living allowance reflects funds designated to cover the cost of your food, local transportation and miscellaneous personal expenses during your service assignment. Individuals have some flexibility on the amount they receive each month, depending on their personal preferences. Under the advisement of our tax accountants, LCC’s Board of Directors has set a maximum allowance to ensure that tax authorities are satisfied that the allowance you receive is a good match with your actual living costs. Listed below are the average amounts per person taken by LCC faculty and staff as well as the maximum allowances set by LCC’s Board of Directors. This is a taxable item in your budget.

	Average	Maximum
1 Adult	\$350 USD	\$400 USD

Married Couple	\$700 USD	\$900 USD
1 Youth (ages 12-17)	\$300 USD	\$350 USD
1 Child (ages 0-11)	\$150 USD	\$200 USD

### 3. OPTIONAL COSTS

Optional Costs are items that you may want to add to your budget depending on your personal circumstances. Usually these items are of more concern to expatriates who are serving for a year or more. Optional Costs include things like outfitting, re-settlement, student loans, retirement, and children’s education costs among other items. If you have a specific budget concern that is not listed here, the Expatriate Recruitment Director will work with your specific situation. Taxation depends on the item being added to your budget.

#### A. Outfitting

Although LCC attempts to provide for basic household and appliance needs, sometimes individual preferences lead expatriates to want to supplement these basics with additional items that will make them feel more at home in their new living environment. To assist with this, LCC provides the opportunity for expatriates to budget a one time outfitting allowance that can be used to purchase these types of items. Usually it is difficult for expatriates to assess what they may need before they arrive. For this reason we suggest that this item be considered a budget adjustment that you make after your arrival. For planning purposes, it is helpful to see what the maximum allowances are per person:

1 Adult	\$300 USD
Married Couple	\$400 USD
1 Youth (ages 12-17)	\$200 USD
1 Child (ages 0-11)	\$170 USD

The procedure for claiming your outfitting allowance is to keep the receipts for the items that you have purchased, and submit them to Expatriate Recruitment Director for reimbursement. You will then be reimbursed for these items. The amount of the reimbursement will be added to your budget for the year so that the costs are covered through your fundraising efforts. It is important to note that the items purchased with your outfitting allowance become the property of LCC when you leave as you have been reimbursed for them. This reimbursement means that LCC has purchased them from you. Outfitting allowance is non-taxable if it is used to purchase items that will stay with LCC, but is taxable if it is used to purchase items that will either be sold, or be taken back with you at the end of your term.

**In some cases, long term expatriates would like to purchase larger items such as a computer or a car. These would also be considered 'outfitting type' expenses. Because these items exceed the above limits, LCC works with these on a case by case basis. Please work with the Expatriate Recruitment Director to add these items to your budget.**

#### B. Resettlement

Some expatriates find that completing service at LCC and transitioning back into life in their home country can at times bring financial stress. Often the costs of living at home come sooner than your first paycheck arrives from your new employment. For this reason, LCC allows expatriates who serve for a full academic year to add an amount called 'resettlement' to their yearly budget. These funds are to assist you in your transition.

The amounts below represent the maximum resettlement allowance that can be taken for a full year of service. LCC will then pay this amount out to you as a lump sum when your service term ends. This is a taxable item in your budget.

1 Adult	\$2,000 USD
Married Couple	\$3,000 USD
1 Youth (ages 12-17)	\$570 USD
1 Child (ages 0-11)	\$350 USD

### **C. Children's Educational Costs**

For families coming with children, there are often costs associated with their children's education. This could be the cost of correspondence curriculum or private school tuition. As these are a real cost of your service, you will want to consider this in your budget. Each family's situation is unique. The educational costs are non-taxable if your child attends the nearest English speaking school. If you choose to send your child to a boarding school elsewhere, this would be considered taxable.

### **D. Professional Development**

A number of our expatriates that come to LCC for more than a year include 'professional development' as a budget line. LCC has limited funds available for professional development yet many expatriates would like the opportunity to attend conferences within their discipline. If you are interested in including this amount in your overall budget, please contact us for further details. You may want to consider adding an amount to cover the costs of one or several of the following expenses related to this: flight costs to North America to attend a conference, conference registration fees, hotel/meals allowance while attending the conference.

### **E. Student Loans**

A number of younger faculty and staff have considered adding student loan payment costs in their monthly budgeted amounts. If you would like to include it in your budget please contact us for further details. This is a taxable item in your budget.

## **Fundraising**

### **introduction**

---

It is exciting to note that over 750 individuals have raised their own support to serve in Lithuania since 1991. We praise God that He provided the financial resources so that they could make an impact on the lives of students, and we trust He will do the same for you.

To many, the process of raising support seems like a huge challenge. There are several different ways of going about raising funds for service at LCC. One method that a number of faculty and staff have found to be very successful is a model developed by Eastern Mennonite Missions (EMM) in Pennsylvania called Congregationally Pledged Support Raising. The model provides an outline of how to involve people in the discernment process, develop a support group and go about raising financial support. We encourage you to adjust this model to fit your own situation as much as possible.

A unique aspect of the model is the emphasis placed on working with a network of people every step of the way. Having access to a support group of people as you prepare and while you serve overseas will be invaluable to you.

Below you will find an outline of the fundraising model we have adapted from EMM. Details about each step in the process are explained below.

**support raising model**

---



**1. THE DISCERNMENT PROCESS**

God has a vision for your life. The process of discerning his vision involves continual prayer and activities that will help you make a well informed decision. You may have already made the decision to come to LCC and are ready to begin preparation. Or, you may sense God is urging you in the direction of service at LCC.

**A. Inviting Others to Help You Discern**

Whether you have decided to come to LCC or are still thinking about it, we encourage you to invite others into your discernment and preparation process. Talk to people within your network of contacts about your opportunity at LCC. Start with the people who know you best: your pastor, people from your church congregation, family, friends and work colleagues. Share your vision for ministry at LCC with them and invite them to give you objective feedback.

**B. Pastor & Congregation**

Your pastor and people from your congregation will be a key part of your prayer support. They have most likely helped other people through the discernment process and will have valuable information about serving overseas and understanding what ministry is. When the time comes for you to leave, they will be able to help you prepare for a cross cultural experience.

It is important to work with church leaders when educating the entire congregation about your desire to serve in Lithuania. These are some ideas of how to communicate to your congregation:

- Give a short talk on the need and vision for the ministry at LCC.
- Have a “Lithuanian” focus in Sunday School, small groups, after the Sunday service, or at an evening program.
- Invite people from your area who have served at LCC to share about their experience.
- Host Lithuanian church leaders or LCC alumni studying in North American graduate schools.

- Give a showing of the LCC video which gives some of the history and vision of LCC. Please ask the Director of Expatriate Recruitment for a DVD copy of the video. You can also find the video through the website here: <http://www.lcc.lt/partners/video.html>.

Start dialoguing early with the pastor and congregation to see how much financial support the congregation will be able to provide. If only a portion of the support will be available through the congregation other sources should be considered.

### **C. Family & Friends**

Your family, friends and colleagues also know you well, and probably in a different context than people from your church. It is important to talk with people from your entire range of contacts since their insight comes from a different perspective of you.

It is important to note that if you ask more people about their opinion on your going to LCC, you will have a greater number of people supporting you at home when you are away, because they have taken ownership in giving you an opinion. You will see their support in encouraging comments, letters and e-mails during your assignment, and possibly even financial support.

## **2. DEVELOPING A SUPPORT GROUP**

After you communicate your desire to serve at LCC to your network of contacts, a small group of people will emerge who will be interested in playing a larger role in your ministry. This group of 4-6 people will become your support group. The key roles of the support group are communication, raising finances and continual discernment. The support group can help you develop promotional materials, make contact with people and organizations outside your own network, communicate to potential financial supporters and manage your finances. After you have started your assignment they can continue to communicate with your supporters and, most importantly, encourage people to continue praying for you. They can also be a real help after you have returned from Lithuania.

Ideally your support group will consist of a leader and at least one other person from your congregation. If you are relating to more than one congregation, it is a good idea to have at least one person from each congregation in the support group. Other people to consider for the support group are family members, returned missionaries interested in overseas ministry, and close friends who have known you for a long time.

One of the most important responsibilities you have is communicating with the support group. If they have current information about your fundraising and prayer requests, they will be able to communicate them to the entire network. It may be helpful for support groups to identify one of their members who has good communication skills as the primary spokesperson for the group so that people know who to call for information.

## **3. RAISING FINANCIAL SUPPORT**

### **A. Planning**

#### **» Build Your Budget**

Before beginning the process of raising financial support, you will want to know how much you will need for your service term. There are a number of items to include. We recommend that you work through the "Building Your Budget" section to come up with a budget estimate. The Expatriate Recruitment Director will also be available to help answer your questions about putting a budget together.

#### **» Identify Possible Supporters**

When considering persons to contact as possible pledge supporters, start at home. Groups to consider contacting include family members, congregation members, friends, work colleagues and friends of friends that may be interested in the ministry at LCC. In having a support group made up of a number of different people, there is a greater circle of contacts to consider. You will probably be amazed at how many names you can come up with once you start writing them down!

Each member of the support group should indicate the date by which they will have contacted those persons on their list. Another list should be developed for those who will be sent information by mail and a date for completing the mailings to all persons on the list.

It should be recognized that the most effective communication happens on a one-to-one basis. That is the reason for developing an initial contact list for each support group member and a separate one for mailings. Even with the mailings that are sent out, be sure there is a name and phone number of someone in the support group who can be contacted for more information.

#### » **Develop PR Materials**

It is important to understand that the support group is not selling a product; rather they are organizing people in support of a ministry. While supporters will be giving money to this ministry they will also be receiving by being involved. The support group can help develop this sense of two-way blessing by referring to supporters right from the beginning as being a part of the ministry. This can include having information available to share about the assignment and needs of the ministry. Perhaps the support group would want to have an appreciation meal or picnic for all the pledge supporters when the goal is reached. Try to think of things that would say to pledge supporters, "You are a part of this, too!" because they are!

It is very helpful to the support group and congregation if you can put together an information packet about Lithuania, LCC and your particular assignment. Don't spend too much time reinventing written information on Lithuania and LCC. Use text from promotional materials you have already received, and search the Internet if you are still looking for more. We appreciate receiving copies of promotional material you develop so that future candidates can use them as examples.

You should also consider all the different forms of communicating with people, such as sermons, slide or power point presentations and teaching Sunday School classes. In many of these activities, the support group can help through its participation.

#### » **Develop Record Keeping Systems**

It is important to determine how you will handle all of the information before you start contacting potential supporters. You will also want to be clear about who will update the information and distribute updates to the rest of the support group.

First, you should have access to your financial information. This includes a budget of expenses as well as expected and confirmed revenues. Make it easy to compare your actual figures with your goals. LCC will assist you in developing a budget and you will also receive regular fundraising updates.

Second, you should have detailed information about potential supporters. This includes who will contact them as well as how and when they will be contacted.

Third, you should have detailed information about supporters. This includes if they have indicated support or actually sent funds and if their support is a one time or ongoing donation. You will use this information to send thank you notes and distribute regular updates of your assignment.

» **Decide How to Process Your Donations**

Tax receipts can be issued for all donations towards your costs. There are a number of ways to do this.

**Your Church:**

Some individuals who are sponsored largely by their church congregation have their church issue tax receipts for supporters. Essentially, your ministry becomes one of your church's outreach projects and your funds, both your revenues and expenses, are managed solely by your church. One advantage to having your church manage your funds is that you may be able to avoid the administration fee that most organizations charge for processing donations.

**Mission Agency:**

Some faculty and staff receive part of their funding through the mission agency associated with their denomination. These agencies are usually able to issue tax receipts for any donations towards the remaining costs of service not covered by the mission agency support. In this case, the mission agency manages both your revenues and expenses. You can expect to pay an administration fee for donation processing. We have found that fees average between 5% and 20% of total funds received.

**LCC's North American Charities:**

A third option is to have LCC issue tax receipts for your supporters through its Canadian and US Charities in North America. In this case, LCC will manage all of your revenues and expenses. See the section following entitled "Using LCC to Issue Tax Receipts" for more information. LCC charges an administration fee of 5% of the total funds received.

**B. Contact Potential Supporters**

This stage is simply an implementation of the plan. When people are contacted they may pledge a certain amount, say they need some time to think about it, or write a check on the spot. Be sure to have the information available for the supporter to do what is most comfortable for them.

The most important thing to keep in mind once the support group has begun contacting potential supporters is to keep good communication with the rest of the group. Set goals and don't forget to celebrate when they are reached.

**C. Collect the Funds**

There are a number of ways to have your support group collect funds on your behalf. If you are having your church or a mission agency issue tax receipts, you may want to check to see what method works best with their system of receipting. One method is to have one member of your support group be responsible for collecting checks from your supporters. Another method is to have supporters place their checks in the offering plate at your church or send checks directly to the mission agency who will be doing your receipting. If you choose the latter option, you will want to ensure that your supporters indicate that their funds are designated towards your ministry at LCC.

If you plan to use LCC to issue your tax receipts, we can accommodate whichever method of collecting checks you are most comfortable with. One of your support group members can collect and forward batches of checks to us. Alternatively, you can have supporters send checks to us directly to our office. For more information, see the section entitled "Using LCC to Issue Tax Receipts".

**D. Follow-up Communication**

Supporters are part of your ministry at LCC. They will continue to feel ownership of the ministry if they receive regular updates about your assignment. Before you leave write a prompt thank you note and set reasonable goals for how often you will communicate to your supporters and how the communication will be distributed.

We truly hope this model helps you in working through the discernment process and in raising the financial support to serve at LCC!

**using lcc to issue tax receipts**

---

LCC operates non-profit organizations in both Canada and the US which are able to issue tax receipts for both American and Canadian donors. The organizations in both countries operate under the same name: LCC International Fund Inc. We often shorten the name and refer to each as LCC Inc. (CAN) and LCC Inc. (US). LCC Inc. (CAN) is a registered public charity. LCC Inc. (US) is a 501(c)3 exempt organization.

**CANADIAN CHECKS**

Canadian checks should be made payable to: LCC International Fund Inc.

Checks should be sent to LCC Inc. (CAN):

LCC Inc.  
PO Box 2142  
Abbotsford, BC V2T 3X8

We request that all checks come with a note identifying what the donation is for. For example "Kate Smith Service Costs". This will help us ensure that funds sent towards your costs are credited in the appropriate place.

**US CHECKS**

US checks should be made payable to: LCC International Fund Inc.

Checks should be sent to the address of LCC Inc. (US):

LCC Inc. (US)  
39 Southgate Court, Suite 202  
Harrisonburg, VA, 22801

We request that all checks come with a note identifying what the donation is for. For example "Kate Smith Service Costs". This will help us ensure that funds sent towards your costs are credited in the appropriate place.

**Other Ways to Give**

Supporters can also give through an online form or by setting up a pre-authorized monthly bank transfer. For more information about these options, visit the website at <https://na.lcc.lt/partners/giving.html>.

## **faq's – fundraising**

---

### **When are tax-deductible receipts issued?**

Tax receipts are issued on a yearly basis. Acknowledgments of donations received are sent out on a monthly basis.

### **Does my budget get taxed?**

Yes, for US and Canadian faculty and staff there are portions of your budget that are taxed (US: 7.65% for FICA and Medicare) (Canadian: 6.82% for CPP and EPI). These items include your rent/housing allowance, living allowance, resettlement, outfitting (if it is used to purchase items that will either be sold, or be taken back with you at the end of your term), and medical insurance (if you are not under LCC's group plan). Other items may be taxable depending on what you choose to add to your budget. Canadians serving 4 months or less are tax exempt. Please see Appendix 1 and 2.

### **Can I have individuals support me on a monthly basis?**

Yes, we encourage you to seek out individuals who will support you on a monthly basis. You will find that individuals will often be able to give more towards your total budget if they are able to divide their contribution into monthly amounts. The most efficient way for monthly donors to make contributions toward your total budget would be to set up automatic monthly transactions to transfer money directly from your supporter's bank account. In addition, it is also possible to make online gifts by credit card (Visa/MasterCard) which will be processed by the charities. (Please visit the following link for further instructions related to the pre-authorized payment form and online donations. <https://na.lcc.lt/partners/giving.html>). The tax receipts arrive in the mail.

### **How will I know how much support has come in for me?**

Around the middle of each month you will receive a spreadsheet via email that will update you on your donations received to date and how this compares to your total budget for the year. The spreadsheet will contain the following information:

- Names and addresses of all your donors
- Individual check amounts from each of your donors
- The total amount that has been received for you
- The total amount left outstanding on your budget

### **Can I raise support for things that are not in my budget?**

In order for donations to receive tax receipts, the donations must fall within the guidelines of our board approved programs and the overall purposes of our charitable organizations in North America. For this reason, it is not possible for us to issue tax receipts for donations that do not meet these criteria. All the items in your budget are board approved. We also encourage expatriates to solicit support through their contact networks for other LCC board approved projects such as private bursaries for needy students, library resources, and capital projects, among other things. If you are not sure what types of projects are board approved, you can consult with LCC.

### **What happens if the donations I receive exceed what I need to cover my budget?**

If your donations exceed your budget, there are two options. First, if you plan to return to LCC for another term of service in the future, we can hold these funds for you to apply to your future

budget. If you are ending your term of service and do not plan to return, we will apply your budget surplus to other areas of need within the college. Sometimes individuals ask if it is possible to receive their surplus personally. Unfortunately this is not possible as this type of transfer is beyond your budget and therefore outside of board approved programs. Individuals have also asked if it is possible for donors to be reimbursed for surplus funds. Unfortunately this is also not possible. According to Revenue Canada and IRS guidelines, once a check has been received and deposited by the charity, the donation cannot be reversed.

**When is my support due?**

Although you do not need to have all your funds received prior to your departure, most expatriates find it easier to at least have all of their funds pledged. Pledged funds often come in the form of individuals who have committed to support you on a monthly basis. Although not impossible, it is usually harder to continue the fundraising process while you are in Lithuania.

We do prefer however, that your funds come in at a rate that keeps up with the expenses that we are incurring on your behalf. The funds to cover your travel, medical insurance, and first month's rent and living allowance must be received not less than 30 days prior to your departure. After your departure, your funds should arrive in time to cover your ongoing monthly costs (rent and living allowance).

**Will money be deposited into my account if not enough support has come in?**

Funds need to be received in advance of payroll transfers in order for the expat to receive their basic living expenses. As long as enough funds have come in for the current month's expenses, then payroll transfer will be made.

## Appendix 1

### canadian employee tax policy

---

#### A. Tax Residency

*Individuals should note that the following information pertains only to Canadian tax residents.*

In many cases an individual who has left Canada on a temporary basis for a period of two years or less will continue to be a resident for Canadian tax purposes during their temporary absence, if there is an intention to return to Canada or if the individual retains some personal or financial ties to Canada. This may even be the case for Canadians who serve at LCC for more than two years in some situations. Regardless of the length of time spent away from Canada, individuals should consult a professional tax advisor in order to clarify the residency issue in light of their personal circumstances. (For further information on tax residency, please see the "Interpretation Bulletin IT-221R3 – Determination of an Individual's Residency Status" which can be found on the Canada Revenue Agency web-site at: [www.cra-arc.gc.ca/E/pub/tp/it221r3-consolid/it221r3-consolid-e.html](http://www.cra-arc.gc.ca/E/pub/tp/it221r3-consolid/it221r3-consolid-e.html)) and form "NR 73 -Determination of Residency Status (Leaving Canada:" at [www.cra-arc.gc.ca/E/pbg/tf/nr73/README.html](http://www.cra-arc.gc.ca/E/pbg/tf/nr73/README.html)

Once individuals have lived in Lithuania for 183 days or more in any 12 month period they also become Lithuanian tax residents. In most cases, the Canada-Lithuania Tax Treaty will resolve

this dual residency conflict by indicating that tax residency remains in Canada. *(Please refer to paragraphs 25 and 26 of "Interpretation Bulletin IT-221R3" and consult with a professional tax advisor. Also, please see Section F below.)*

## **B. Volunteer Status**

Volunteers are deemed to be employees of the organization with which they are volunteering, for tax purposes. In general, benefits and allowances received will be taxable. However, Canadians should be aware that there are several opportunities for tax exemptions on income received while serving at LCC. Individuals should take note of the information below to determine whether they are eligible for these exemptions.

## **C. Tax Exemptions**

### **1. Special Work Site**

Due to the distance from an individual's residence in Canada, LCC may qualify as a 'special work site' for Canadian tax purposes. Individuals who meet the following criteria are eligible for tax exemption on their allowance for meals and board as well as their housing allowance. The following criteria must be met in order to qualify for the special work site exemption:

- a) The individual must not have a term of service at the special work site that exceeds two years.
- b) The individual must have a principal place of residence in Canada that is NOT rented out while they are serving at the special work site.

Canadians who meet these criteria must complete Form TD4: "Declaration of Exemption – Employment at a Special Work Site". These forms can be downloaded from the Internet at [www.cra-arc.gc.ca/E/pbg/tf/td4/README.html](http://www.cra-arc.gc.ca/E/pbg/tf/td4/README.html) and should be completed and given to LCC's Expatriate Recruitment Director upon arrival in Lithuania. These forms will be forwarded to, and held in the office of the Canadian charity in order to be accessible to Canada Revenue Agency if they are required. (A T4 slip will not generally be issued for someone exempt under the Special Work Site exemption. For further information on this, please see Section E below).

### **2. Term of Four Months or Less**

Canadians whose term of service is four months or less will be exempt from withholding taxes on their allowances for meals and board as well as their housing allowance on the basis that this is a short-term assignment expense. A T4 slip will not be issued to any Canadians working four months or less.

## **D. Taxable Income**

With the preceding exemptions in mind, please note the following information on taxable income.

### **1. Taxable income for individuals serving at LCC includes the following:**

- Living allowance for meals and board
- Housing and utilities allowances
- Medical insurance not part of a group plan

- Resettlement Allowances
  - Outfitting allowances for items which become the personal property of the individual
  - Payments made on the volunteer's behalf for education, debt assistance, etc.
2. Taxable income does NOT include the following items:
- Travel to and from Lithuania
  - Visa and work permit costs
  - Group medical insurance
  - Outfitting Allowance (*receipts must be submitted to the Canadian charity for the expenditures in order to be exempt*)
  - Children's educational costs if children attend the closest English school to LCC. (*NOTE: This exemption is only applicable where there is no school in Klaipeda at the child's level that is suitable for the child primarily using English. If there IS a suitable school in Klaipeda primarily using English, then there is no exemption permitted.*)

## E. Verification of Income

All Canadians serving longer than one month will be required to complete a TD1 form (Federal and Provincial). These forms can be downloaded from the Internet at [http://www.cra-arc.gc.ca/menu/AFAF\\_T\\_TD-e.html#ti](http://www.cra-arc.gc.ca/menu/AFAF_T_TD-e.html#ti) and should be completed and given to LCC's Expatriate Recruitment Director upon arrival in Lithuania. These forms will be forwarded to, and held in the office of the Canadian charity in order to be accessible to Canada Revenue Agency if they are required.

Canadians serving four months or less will not receive a T4 slip from LCC Inc. (Canadian Charity).

Canadians serving longer than 4 months will receive a T4 slip from LCC Inc. (Canadian Charity) early in the calendar year outlining the total income amount received for the above items (D.1) while serving at LCC in the previous taxation year. Individuals will be required to pay payroll taxes (CPP & EI) on income received, which in 2006 is 6.82%. The employer will pay the employer's portion of payroll taxes. Canadians will also have Income Tax deducted on taxable items listed in D1 above. Depending on an individual's tax bracket, some or all of the income tax deducted may be refunded by Canada Revenue Agency when Personal Income Taxes are filed.

Canadians who are eligible for the Special Work Site Exemption, and who have completed and submitted a TD4 form to the Canadian charity will only receive a T4 slip early in the calendar year if they have also included taxable items in their budget, such as resettlement allowance, and/or outfitting allowance for items that have become the property of the individual (ie a computer), or will be resold by the individual. These items will be reported as taxable income on the T4, whereas contributions for your housing and living allowance will be reported as non-taxable income.

## F. Lithuanian Income Tax

As outlined earlier, most Canadians will be able to maintain their tax residency in Canada as a result of the Canada-Lithuania Tax Treaty. This means that individuals are only required to pay tax in Lithuania on income earned for work in Lithuania. Individuals are able to apply their tax

paid in Lithuania as a deduction against the tax payable on the same income in Canada to avoid double taxation.

Canadians who do not maintain Canadian tax residency then become tax residents of Lithuania and are subject to Lithuanian tax on their world wide income. In this case, they would NOT be liable for their world wide income in Canada. *(Please refer to the Income Tax Bulletin "Interpretation Bulletin IT-221R3 – Determination of an Individual's Residency Status" referred to in Section A above for further information, and consult a professional tax advisor.)*

## G. Tax Advice

Self supporting individuals staying longer than four months, or who do not qualify under the Special Work Site Exemption may find it more advantageous to use their own personal funds to pay for housing, meals and board, and medical costs, as these items would then not be considered taxable income to the individual, and a T4 would not be issued. Tax receipts will still be issued for travel, visa and work permits, group medical insurance, outfitting and children's educational costs.

**LCC and the Canadian Charity expect individuals to consult a professional tax advisor to obtain a full understanding of their particular tax issues.**

Individuals are responsible to ensure that their tax returns are filed properly in their home country, and in Lithuania where applicable, and that all relevant taxes are paid during their time in which they are in Lithuania. LCC does not provide any guarantees regarding personal tax issues, which are subject to review and audit by Canada Revenue Agency.

## Appendix2

### us employee tax policy

---

#### **Purpose:**

Provide guidance to U.S. citizens and LCC regarding tax liabilities and establish LCC tax policy for U.S. citizens. Tax matters can be complicated and difficult to understand. This is intended to outline LCC's position. Therefore while not every situation will be clearly understood or agreed upon, this policy will serve as the basis for applying tax to U.S. citizens who are paid or reimbursed by the US charity.

#### **Policy:**

1. LCC and LCC International, Inc. U.S. (US Charity) comply with U.S. and Lithuanian tax code for the purposes of determining tax liability on any funds paid by LCC or the U.S. Charity for all funds paid to individuals serving or working for LCC.
2. LCC and the U.S. Charity rely on the findings of PBGH documents dated September 16, 2005 as guidance for determining and applying tax withholding to funds paid to U.S. citizens serving or working for LCC or the U.S. Charity in the U.S. and Lithuania.

3. LCC and the U.S. Charity expect individuals to consult their own tax advisor to obtain a full understanding of any individual tax liabilities, specifics regarding individual circumstances and for further guidance.

**Key Points from PBGH tax documents dated September 16, 2005:**

1. Funds paid by LCC International, Inc. U.S. (U.S. Charity) to any U.S. citizens serving at LCC for more than one month for any purpose associated with a term of service or other work for LCC and/or the U.S. charity shall be treated as wages paid to an employee of the U.S. Charity, whether or not the funds were provided by the U.S. citizen (self-funded), raised by the U.S. citizen from donors/churches, raised from donors by LCC or the U.S. Charity, or, paid from any operations or restricted funds of LCC or the U.S. Charity.
2. All U.S. citizens serving at LCC for more than one month who are paid wages by the U.S. charity will be subject to FICA tax withholding, as well as federal tax withholding except that no federal tax is withheld from any wages earned outside the U.S. that US Charity can reasonably expect the employee to exclude under either the \$80K foreign earned income exclusion or foreign housing exclusion. See IRS Publication 54 Tax Guide for U.S. Citizens and Resident Aliens Abroad for discussion of these exclusions.
3. U.S. citizens serving at LCC (in Lithuania) more than 183 days of the year AND whose personal and economic relations (center of vital interests) are closer to Lithuania are subject to Lithuanian income taxes payable by the employee. See Article 2 of the joint Tax Convention between Lithuania and U.S. (effective Jan 1, 2000).
4. U.S. citizens subject to Lithuanian income taxes as described above are responsible for paying Lithuanian taxes on any income received external to LCC, whereas wages paid by LCC in Lithuania will have the income tax deducted.
5. The joint Tax Convention between Lithuania and U.S. (effective Jan 1 2000) governs other special tax considerations concerning the applicability of U.S. and Lithuanian tax code. This should be consulted for further guidance such as allowances to avoid double-taxation and special considerations for students and researchers. A copy is available from the U.S. Charity or the Business Office at LCC.