

## **Tax Tip**

**Week of February 7, 2011**

### **Retroactive Payments**

If an individual receives a lump sum payment in excess of \$3,000 that relates to a prior year, a form can be filed with CRA that will tax the income in the year it was earned, if it is to taxpayer's advantage. The CRA form is called "Statement of Qualifying Retroactive Lump-Sum Payment." Qualifying payments include:

- income from an office or employment received under:
  - a judgment from a court or other competent tribunal;
  - an arbitration award; or
  - a lawsuit settlement agreement, including damages for loss of office or employment
- benefits from Employment Insurance
- benefits from a superannuation or pension plan (other than non-periodic benefits such as lump-sum withdrawals)
- spousal, common-law partner, or taxable child support payments
- benefits from a wage-loss replacement plan

Any part of a retroactive lump sum payment that is eligible for any of the following deductions, is not a qualifying amount:

- legal expenses
- salary reimbursements
- reimbursement of top-up disability payments
- repayment of pension or benefits
- deduction of social assistance payments, workers' compensation

Interest income is taxable in the year received.