

Tax Tip
Week of September 19, 2011

Retiring Allowances

The tax rules were changes effective 1996 to restrict the transfer of retiring allowances to a RRSP. A retiring allowance is amount paid in recognition of long service and is typically paid at the time of retirement or termination. However, if an individual retires or is terminated and has service with the company prior to 1996 an amount can be transferred to a RRSP.

The amount that can be transferred is determined by the following formula:

\$3,500 times the years of service prior to 1989

Plus

\$2,000 for years of service after 1988 and before 1996

Employees with a long period of service with the same employer may still qualify for this rollover.