

**This information is provided by the Employer.** Please consult an accountant or income tax specialist to determine how this information could affect you personally.

According to *Income Tax Act* reg. 103(4) ("ITA") and assuming that the payment qualifies as a lump sum payment under ITA reg. 103(6), the 2006 employer withholding rates for lump sum payments to an employee are as follows:

<b>Range</b>	<b>Withholding Rate for Quebec</b>	<b>Withholding Rate for Other Provinces</b>
\$0 - 5,000	21%	10%
\$5,000.01 - 15,000	30%	20%
\$15,0000.01 and up	35%	30%

In addition, assuming that the pension benefit payment qualifies as pension income under ITA s. 118(3) then ITA reg. 103(5) stipulates that the payment is deemed to be:

- a) reduced by the lesser of (i) \$1,000 or (ii) the payment amount - if the payment is between \$0 and \$36,378;
- b) reduced by \$727 - if the payment is between \$36,378.01 and \$61,509;
- c) reduced by \$615 - if the payment is between \$61,509.01 and \$100,000;  
or
- d) reduced by \$552 - if the payment exceeds \$100,000.

Therefore assuming that the lump sum pension benefit payment of \$60,000 is in Ontario then the employer will have to withhold:  $(60,000 - 727) * 20\% = \$11,854.60$

Please note that the withholding rates for lump sum payments are not projected to forward years.