

CAFICS

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PARTIAL TAX EXEMPTION OF UNJSPF PENSIONS IN CANADA

For 2009 Tax Returns

Disclaimer: Although great care has been taken in preparing this document, taxpayers are responsible themselves for following official instructions and publications of the taxation authorities and for the correctness of their tax returns.

Taxation of United Nations pensions in Canada is based on relevant clauses of the Tax Treaty between Canada and the United States which provide that a Canadian resident receiving a pension arising in the United States enjoys the same tax exemptions as a resident of that country. This means that U.S. tax law and its interpretation, rather than Canadian tax law, is the determining factor in calculating the amount of the tax exemption for UNJPSF payments when filing a Canadian tax return.

A definitive agreement between the Competent Authorities of Canada and the United States was reached to the effect that payments from the UNJSPF to recipients and their survivors qualify for partial exemption from taxation for Canadian residents, under the terms of the Canada-United States Tax Treaty. Competent Authorities are the official bodies charged with harmonizing differences that arise in the interpretation of tax treaties whenever a taxpayer considers that he is being taxed in a manner that is not consistent with a Tax Treaty.

In February 2008, John Northcut received authoritative information in an official letter from the Headquarters of the Canada Revenue Agency (hereinafter CRA) in Ottawa as to the guidelines to be followed by the CRA regional offices in determining a taxpayer's eligibility for this partial tax exemption and how it is to be calculated. This information had been confirmed by a tax settlement refund which René Pouliot obtained from the CRA on appeal of a 2005 tax assessment, in so far as these guidelines apply to his case, which should be the ones applicable to

the majority of CAFICS members. In addition, other members of CAFICS have since indicated that their returns claiming partial exemption have been accepted.

Briefly summarized and subject to the more detailed provisions appearing below, a resident of Canada is able to claim as a deduction from his UNJSPF income: an amount equal to the sum of his own contributions to the UNJSPF, added to the contributions of his employer (unless the Canadian resident is also a US citizen in which case different rules apply), apportioned over a period of years the length of which depends on the pension (annuity) starting date, the age at retirement and, for more recent retirees, the combined ages of the pensioner and of any survivor beneficiary at retirement.

For those retirees who have withdrawn a lump sum in reduction of their pension capital and income and instructed the UNJSPF to do a direct transfer of this sum to an RRSP¹, a proportional amount is deducted from the sum of employee and employer contributions, the remainder being considered as the « cost » of the annuity (pension) eligible for exemption.

This exemption is to be calculated in accordance with the provisions of Publication 575 of the Internal Revenue Service (hereinafter IRS) of the United States and Worksheet A thereto (found on page 41 of the publication). In accordance with the information provided on page 34 of IRS Publication 575, it is possible for survivors, and if applicable, the heirs of a UN pensioner, to benefit from any unclaimed balance of the tax exemption provided hereunder. (Publication 575 is available on the web at www.irs.gov/pub/irs-pdf/p575.pdf. Normally, this publication is revised every year to take into account changes in US tax law so the publication may need to be consulted each year to look for any changes.)

It has long been the practice of Québec and other provincial taxation authorities to implement the decisions of the Competent Authority. In the absence of any contrary information, members may therefore assume that this is the case with respect to partial exemption also by provincial taxation authorities.

In addition, taxpayers can claim an adjustment of their taxes retroactively for a period of up to ten years, subject to the responsible Minister's discretion, which is

1. Whenever RRSP is mentioned in this document, the guidelines applicable to an RRSP generally also apply to an Individual Retirement Account (IRA) for a US citizen residing in Canada.

usually granted by the taxation office doing the revision without actually requesting the Minister's approval. Claims for adjustment of prior years are made on CRA Form T1-ADJ E (for federal returns) and *Revenu Québec* Form TP-1.R-V (for Québec provincial returns). This means that during any calendar year taxpayers may make claims dating back to the tax year ten years previous. For example, during 2009, back to and including 1999, during 2010, back to and including 2000, etc.

FOR THE MAJORITY OF CAFICS MEMBERS

Appendix A to this letter contains the substantive part of the information received by John Northcut in the official letter from the CRA on this subject. Redacted portions of the letter contain information intended only for Mr. Northcut.

In order to claim this exemption, CAFICS members should proceed as follows:

1. Study the requirements set out in **Appendix A**, and if you consider that you are eligible to claim this exemption (this will be the case for a majority of CAFICS members whether retirees or survivors of retirees), collect the following information :
 - a) Date of commencement of annuity (UNJSPF pension);
 - b) Total amount of the contributions to the UNJSPF (in US dollars), as confirmed by the UNJSPF or the last agency where you worked²;
 - c) Amount of lump sum withdrawn from the Fund (in US dollars) and **transferred** to an RRSP **directly** by the UNJSPF (and not paid to you at the time of lump sum withdrawal), and percentage of the actuarial value of the pension that this lump sum represented (see below for further details on calculating this); and
 - d) Rates of exchange used to convert the UNJSPF payments into Canadian dollars for every year for which a claim for exemption is made (this should be the rate of exchange used when the tax return was filed).
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2. Please note that the taxation authorities normally require that a photocopy of an official letter from the UNJSPF (or the last agency where you worked) showing the amount of the contributions to be included with Worksheet A (at Appendix C) in your tax return(s).

2. On the basis of the above information, complete a Worksheet A of IRS Publication 575 in US dollars for every year for which a claim is made, complying with the instructions appearing on that Worksheet. You will find a sample of Worksheet A attached at Appendix C to this letter.

Item 1: will be the total of your UN Pension income for that year, in US dollars (ignore the second sentence in Item 1, beginning with the words « Also, add this amount . . . » since this applies to completing U.S. tax forms).

Item 2: will be the total of your own contributions to the Fund as certified by the UNJSPF **multiplied by 3 so as to include the employer contributions to the UNJSPF** (unless you are also a US citizen).³ However, from this total an amount is subtracted if a lump sum was taken as a **direct transfer to an RRSP** by the UNJSPF (without any payment being made by the UNJSPF directly to you)⁴.

The amount to be subtracted (to account for a direct transfer from the UNJSPF to a RRSP) is calculated in the following manner:

- a) Determine the actuarial value of the pension. Assuming the lump sum withdrawal was 1/3 of the pension, the actuarial value will be the lump sum multiplied by 3. If the lump sum was 20 per cent of the total, the actuarial value will be the lump sum multiplied by 5;
- b) Determine the proportion that the cost of the annuity was to the actuarial value of the pension (to 2 decimals as a percentage) as follows:

-
3. Canadian residents who are also US citizens are only entitled to include their own contributions to the UNJPSF not the employer contributions. But note that if a deceased UN employee who died while on duty was a US citizen but the surviving spouse is not a US citizen, the survivor is allowed to include the employer contributions.
 4. Do not confuse a direct transfer to an RRSP (trustee-to-trustee transfer) with any amount you may have been paid directly by the UNJSPF and that you contributed yourself to an RRSP using your Unused RRSP Deduction Limit (shown on your most recent Notice of Assessment for your federal tax return).

$$\frac{\text{Total contributions (staff member + employer)} \times 100}{\text{Actuarial value of the pension}} = x\%$$

This will give you a percentage figure, for example:
36.25% or .3625

- c) Apply this percentage to the lump sum and deduct the resulting amount from the total amount of contributions;
- d) The remainder will be the amount to enter in Item 2 of Worksheet A in US dollars. In terms of US dollars, this amount will be unchanged throughout the whole period of years for which the exemption is claimed.

Items 3, 4 and 5: Follow the instructions of Worksheet A.

Item 6: If you have not claimed this exemption for any previous year or you retired before 1987, this item will be blank⁵. It is preferable to start completing Worksheet A from the first year for which you can claim a prior year's exemption and work forward as these Worksheets A form a continuous series linked through items 6, 10 and 11. Retain any Worksheet A completed for prior years to use when filing adjustments for future years.

Items 7 and 8: Follow the instructions of Worksheet A.

Item 9: Follow the instructions in the first two sentences. Other provisions of the U.S. Tax Code are not relevant to a Canadian taxpayer so the remainder of the instructions in Item 9 starting with the words « Also, add this amount» can be ignored.

Items 10 and 11: Complete as instructed in Worksheet A.

5. However, if you have received a partial lump sum at the time of retirement that was not directly transferred to an RRSP, refer to the instructions later in this document about how to report this on your tax return. Include on line 6 of the first Worksheet A you submit the tax-free portion of the lump sum as being an amount you previously recovered tax-free. Also, write a footnote at the bottom of the first Worksheet A to explain that the amount on line 6 is the tax-free portion of the partial lump sum paid directly to you.

3. On line 256 of your Federal Income Tax Return and on line 297 of your Québec Income Tax Return enter the amount of Item 8 on Worksheet A converted to Canadian dollars at the applicable rate for that year. Use the Bank of Canada average exchange rate or the average of the four quarterly UN rates as the case may be, i.e. use the same exchange rate you used to convert the total of UNJSPF payments from US dollars to Canadian dollars elsewhere on your tax return. In terms of US dollars, this amount will remain unchanged over the years that the exemption is claimed, unless the monthly pension payments for any year were made for a lesser period than 12 months. In future years, verify that the lines 256 and 297 mentioned above are the same numbers on the relevant tax returns of those years.
4. When you make this claim for the first time, indicate in the space provided for details: « See attached explanation ». Then, attach a **copy of Appendix A** and a **completed copy of Appendix B** to the tax return. For other years, once a first claim has been registered, only the mention of the Canada-U.S. Tax Treaty need be written on this line but it is always possible that the taxation authorities will ask you to answer further questions in order to determine your tax exemption. Keep a copy of Appendix B with your answers in case it is required. Each year, attach a **completed copy of Appendix C (Worksheet A together with the official letter showing the amount of your contributions)** to the tax return.
5. When filing claims for previous years on Forms T1-ADJ E (federal) or TP-1.R-V (Québec provincial) as required, attach also a **copy of Appendix A** and a **completed copy of Appendix B**, with a **completed copy of Appendix C (Worksheet A)** for each year concerned. Only one mailing is necessary covering all the years for which retroactive claims are made and therefore only one copy of Appendices A and B to this letter will be required for the batch. Claims for adjusting prior years should be made in separate mailings from the tax return(s) for the current tax year, as these are processed by a separate division of the taxation authorities concerned.

Since the above instructions can lead to complex tax situations, it may be preferable to seek professional assistance if you do not feel comfortable in working through all the details. Although this entails a payment to the taxation professional that may be expensive, the payment could be well worth it if you avoid costly

mistakes and benefit from the partial exemption of taxation. These instructions should be given to any tax professional you retain.

If a member is facing a deadline for tax filing and still has not ascertained the amount of the partial exemption, one can always file tax returns paying tax on the whole amount of the pension then request an adjustment once the deadline for filing is past and the details have been worked out.

SPECIAL SITUATIONS

Survivors of UN retirees receiving a survivor's pension

If your spouse died while on duty, then you should fill out the tax return with the accompanying questionnaire in Appendix B **as if you were the employee** and not your spouse. For example, this means the calculations on Worksheet A will be based on your age (not your spouse's). You will answer the question on US citizenship for yourself and not for your spouse.

If your spouse died after the commencement of the pension, then you fill out the tax return with the accompanying questionnaire in Appendix B using the data related to your spouse – i.e., answer the questions **as if your spouse were answering**, even though he/she is no longer alive.

Disability pension

If you retired on disability pension and your age is greater than the minimum retirement age at which you would have retired if you had not become disabled, then follow the instructions earlier covering the situation of most CAFICS members.

If, on the other hand, you are on a disability pension and your age is less than the minimum age at which you would have retired normally, then contact the CAFICS office for a copy of the special instructions on *Taxation of United Nations Disability Pensions in Canada* since with few exceptions your disability pension will be totally tax exempt.

Québec taxpayers

CAFICS members residing in Québec and required to file Québec tax returns should pay close attention to the special instructions contained at **Appendix D**.

Final tax return after death of last surviving beneficiary of a UN pension

As per IRS Publication 575, if the amounts you have claimed as being exempt from tax over the years has not exceeded the total contributions to the pension plan (as calculated on line 2 of Worksheet A) then your executor is allowed to claim as a miscellaneous deduction (on line 256 of the federal return and line 297 of the Québec return, where applicable) the remaining unrecovered amount of your contributions.

UN retirees receiving a lump sum while residing in Canada

If you received a partial lump sum from the UNJSPF near the time of retirement, you were residing in Canada and the partial lump sum was **not directly transferred** to a RRSP in Canada (or an IRA in the USA), then part of the lump sum is taxable and a portion is tax exempt. The tax exempt portion is calculated using the formula on page 16 of IRS Publication 575 for a “*Distribution Before Annuity Starting Date From A Qualified Plan*”. Even if you actually received the payment shortly after or on the commencement of the pension (your retirement date), it is still considered (for taxation purposes) as being received just before the pension starting date⁶.

The formula (taken from page 16 of that publication) is as follows:

$$\text{AMOUNT RECEIVED} * (\text{COST OF CONTRACT} / \text{ACCOUNT BALANCE}) = \text{TAX-FREE PORTION}$$

The Cost of Contract is the total amount of contributions (the same figure that you indicate on line 2 of Worksheet A – i.e., your own contributions multiplied by 3, unless you are a US citizen.) The Account Balance is figured by taking whatever would have been a 1/3 lump sum payment (even if you received less than 1/3) and multiplying it by 3.

You add the total of the partial lump sum to the total of your monthly pension payments received for the tax year and report this as your total pension income from the UNSJPF. The non-taxable portion of the lump sum is added to the non-taxable portion of your monthly payments and taken as a tax treaty deduction on

6. It would appear that, if you retired on 01 January and received a lump sum paid on or after 01 January in connection with the start of retirement, the lump sum would (for taxation purposes) be considered to have been received the previous tax year. Otherwise, the lump sum would be considered (for taxation purposes) to have been received the same year as your pension starting date.

line 256 (federal) and line 297 (Québec if applicable) of the tax return(s). The tax-free portion of the partial lump sum must always be included on Line 6 of Worksheet A as an amount recovered previously.

If you **contribute yourself** the taxable portion of the partial lump sum into an RRSP after the total partial lump sum is deposited into your own bank account and before the contribution deadline for the tax year using your UNUSED RRSP DEDUCTION LIMIT (which you can find at the bottom of last year's Notice of Assessment for the federal return), then you can take an RRSP contribution deduction for the taxable portion to avoid paying taxes on the taxable portion of the lump sum in the year it was received. However, make sure the amount that you deposit yourself to an RRSP does not exceed the total of your UNUSED RRSP DEDUCTION LIMIT.

Due to the way RRSP (and RRIF) plan withdrawals are taxed in Canada and the fact that the UNJSPF will NOT split up partial lump sum payments (with the tax-free portion going to you and the taxable portion as a direct transfer to an RRSP), it is preferable tax-wise to receive all of the partial lump sum payment yourself as a direct deposit to your own account, then contribute all or part of the taxable portion to an RRSP (prior to the contribution deadline for the tax year) using your UNUSED RRSP DEDUCTION LIMIT to reduce or eliminate taxes on the partial lump sum in the year they are received.

UN retirees who immigrated to Canada after the pension starting date

If you received any payments from your UNJSPF pension prior to the first day you became a legal Canadian resident, then there is no tax to be paid to Canada for those payments (except in rare circumstances when you are considered a deemed Canadian resident).

However, if you received any portion of the UNJSPF pension tax-free or partially tax-free, then you will need to keep track of how much of the tax-free portion represented a return of your contributions – i.e., by comparing it to the amount you would have been allowed tax-free if you had been a U.S. resident before actually taking up Canadian residence.

For example, if you took a partial lump sum when you retired in Austria (where UN pensions are totally tax exempt), then you are considered to have received part of that lump sum tax-free (for purposes of completing Worksheet A) and part of each monthly payment tax-free while you were still in Austria, that part being the

part you would have been allowed if you had been a U.S. resident even though you actually owe no tax in Canada for those amounts (since you were a resident of Austria and a non-resident of Canada when it was received).

This is of particular relevance to internationally-recruited staff who may have worked in Canada but were not considered Canadian residents (for taxation purposes) until they retired and took up Canadian residence sometime after retirement.

CAFICS members in this situation are advised to seek assistance from a professional tax preparer familiar with how to file tax returns in Canada for UN retirees.

UN retirees who worked in the United States for the UN

If you worked for the UN in the United States on a G-IV Visa which is routinely issued by the United States for internationally-recruited staff and for non-Americans residing in the United States who agree (as a condition of signing their UN contract) to give up their Green Card, you will need to attach a note to your tax return with text similar to the following:

QUOTE

- 1) I was a non-resident alien of the USA while employed at the UN;
- 2) My salary was exempt from US taxation and the employer contributions would also have been exempt had they been paid to me in cash, as explained in IRS Publication 519 (Chapter 10);
- 3) My time spent while I was a full-time UN employee in the United States did **not** count as being physically present in the US under US tax law as explained in IRS Publication 519 (Chapter 1); and
- 4) I am claiming ‘other country’ status as per the CRA guidelines on taxation of UN pensions in Canada an extract of which is at Attachment A of my tax return, since I was NOT a resident of Canada and was NOT a resident of the USA, being considered a non-resident alien of the USA not even physically present in the USA while employed at the UN.

UNQUOTE

Same Sex Marriages

Under US tax law, same sex marriages are not recognized. However, if the UN recognizes a same sex marriage for purpose of granting a survivor's pension, then you cannot use Table 1 of Worksheet A (citing US tax law as not recognizing same sex marriages) even though it might be to your benefit (tax-wise) to use Table 1. You must use Table 2 since you have a spouse entitled to a UNJSPF pension survivor's benefit.

REMINDER

Members (or their tax preparers) who follow these instructions but have returns rejected with the reason that partial tax exemption of UNJSPF payments is not allowed are requested to contact the CAFICS Office at ICAO as soon as any rejection notice is received. Also contact us if you believe your calculation is correct but the tax authorities disagree. Every effort will be made to assist such members in filing a Notice of Objection where warranted.

APPENDIX A

Please note that the text contained in this Appendix is an extract from an official letter sent to John Northcut by CRA Headquarters.

This information may be shared with others as per the last paragraph of the letter.

This Appendix may be freely attached to your tax return or to any Request for Adjustment of a prior year's return

To: whom it may concern

Below is a true extract of paragraphs sent in a letter from the Headquarters of the Canada Revenue Agency on 5 February 2009 to John D. Northcut, recipient of a UNJSPF pension. In the last paragraph extracted, the CRA gives permission for this information to be shared with other taxpayers in a similar situation.

START OF EXTRACTS

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.....

To address the substance of your request, the following information is required to establish the non-taxable portion of a taxpayer's UNJSPF annuity payments:

- The taxpayer's date of birth
- An indication of whether the taxpayer had a spouse at the annuity starting date. If so:
 - Will the spouse be eligible for survivor benefits under the plan?
 - What is the spouse's DOB?
- The taxpayer's country of residence during the years that services were performed
 - If the taxpayer resided in a country other than Canada, was the remuneration exempt from taxation in the other country?
- An indication of whether the taxpayer was a citizen of the United States?
- Years of service (from xxxx to yyyy)
- The starting date of the annuity
- The name of the employer at the time that contributions were withheld
- The amount of employee contributions to the UNJSPF
- The amount of any transfers from the UNJSPF to an RRSP
- A completed copy of Worksheet A from IRS Publication 575
- The exchange rate used to include the pension income for each year

The cost or investment in the plan and the appropriate factor to be used on Publication 575 – Worksheet A is to be established for the first year in which the taxpayer receives the annuity. Once this amount is established, it will not vary from year to year. The factor which is found at the bottom of the worksheet only impacts the period over which the cost in the plan will be amortized. (For additional information, refer to the portion of IRS Publication 575 entitled "Taxation of Periodic Payments". This publication is currently available online at www.irs.gov/pub/irs-pdf/p575.pdf.)

Whether or not a taxpayer qualifies for an exemption under subparagraph 110(1)(f)(i) of the Income Tax Act can be determined as follows:

- Where a taxpayer (other than a U.S. citizen) was a resident of Canada throughout the period during which contributions were made to the plan, the calculation of the exempt portion of the annuity is generally straightforward: The cost or investment in the plan for the purpose of calculating the exempt portion of pension payments is the total of the employee and employer contributions..

- Where the taxpayer was a resident or a citizen of the U.S. at the time of the contributions, only the employee contributions are to be considered in the cost of the plan, because the employer contributions are already considered to have been excluded from the taxpayer's U.S. income in the year that the employment income was earned.
- For all other individuals, eligibility for exemption will depend on the tax treatment of the employment income in the country where they resided while they earned that income:
 1. If the employment income was not subject to tax in the third country, then the following additional test must be verified before establishing if there is a cost (exempt portion):
 - a) If the employee and employer contributions would not have been taxed in the third country or the United States if they had been paid in cash to the individual at the time the employment services were performed, then the employee and employer contributions are to be considered in the cost of the plan.
 - b) Otherwise, there will be no cost.
 2. If the compensation from the U.N. was subject to tax in the third country, then the employee contributions enter in the cost.

Note that in cases where the taxpayer has received a lump-sum payment from the UNJSPF on or before the annuity starting date and has transferred this lump sum to an RRSP, the cost (or investment in the plan) must be reduced proportionately.

The following information may also be of assistance:

- Individuals who participate in the UNJSPF receive statements from the pension plan indicating the amounts of their contributions in the pension fund (possibly covering the entire contribution period). The statements show only the employee contributions (the portion considered to be the cost in the plan for U.S. tax purposes), but the employer contributions can be easily determined as they are twice the employee's contributions.
- If taxpayers have not retained the relevant statements, this information can be obtained from the UNJSPF.

I trust that the above information addresses the questions which you had posed to us

.....

That said, my understanding from our conversation is that you are currently in contact with a number of other taxpayers who are in a similar position, and that you may elect to share portions of the information above with your colleagues. Given that my section is not normally in a position to respond to general enquiries from individual taxpayers, any questions that they might have are best directed either to the Agency's General Enquiries line, or where applicable, to the designated contact number provided in correspondence with the Agency.

APPENDIX B

Attach this Appendix to your tax return (the first year you are claiming exemption).

Attach also this Appendix to any Request for Adjustments you are making for a prior year's tax return.

Be sure to answer the questions that are required by the taxation authorities to establish the non-taxable portion of your pension.

**NOTE FOR TAX RETURN THAT CONTAINS A CLAIM FOR PARTIAL
EXEMPTION OF TAXATION OF UNJSPF PAYMENTS**

The United Nations Joint Staff Pension Fund (UNJSPF) pension payments reported on my tax return arise in the United States. As such, they are partially exempt from taxation under Article XVIII of the Canada-US Tax Treaty.

This has been confirmed in a decision of the Competent Authority of Canada on the Tax Treaty between Canada and the United States and communicated to the Individual Returns and Payments Processing Directorate of the Headquarters, Canada Revenue Agency in 2008.

**QUESTIONNAIRE REQUIRED TO BE COMPLETED TO ESTABLISH
THE NON-TAXABLE PORTION OF UNJSPF PAYMENTS**

(TO BE PROVIDED THE FIRST TIME CLAIMING EXEMPTION)

1) Did you have a spouse at the start of your pension (annuity) payments?

yes no

2) If so, will your spouse be eligible for a survivor's pension under the rules of the UNJSPF?

yes no

3) Give the name of your spouse, his/her date of birth and if available, his/her Social Insurance Number;

Name _____
Date of Birth _____
SIN _____

4) In which countries were you living throughout the period when you contributed to the UNJSPF? At what agencies were you employed?

Country	Agency	Years
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

5) If you lived in another country than Canada, was your remuneration exempt from taxation in that other country?

yes no

6) Additionally, if the employer and employee contributions had been paid in cash to you at that time, would they have been taxable in that other country?

yes no

7) Are you a citizen of the United States?

yes no

8) Date periodic pension payments commenced.

Date _____

9) Was a lump sum withdrawn and transferred to an RRSP?

yes no

10) If so, how much (in U.S. dollars)?

USD _____

11) What percentage of the actuarial value of your pension was this amount (2 decimals)? (For example, if you took the maximum allowable lump sum, then the percentage is 1/3 or 33.34%)

12) What were the rates of exchange used to convert your periodic pension payments into Canadian dollars for the year(s) for which a claim for tax exemption is made? (Use either the Bank of Canada average exchange rate for the relevant year(s) which you can obtain from the Bank of Canada web site or the average of the four quarterly UN rates as the case may be.)

Current Tax Year _____ Rate _____

Previous years (list only if making Requests for Adjustments)

Year _____	Rate _____
Year _____	Rate _____
Year _____	Rate _____
Year _____	Rate _____

(Attach additional page(s) if needed.)

APPENDIX C

**Attach a completed copy of the Worksheet A (from IRS Publication 575)
to your tax return.**

**Attach a completed copy of the Worksheet to any Request for
Adjustments for prior year's tax returns.**

**DO NOT FORGET TO INCLUDE A PHOTOCOPY OF THE OFFICIAL LETTER
FROM THE UNJSPF (or the last agency where you worked) SHOWING THE
AMOUNTS OF THE CONTRIBUTIONS TO THE UNJSPF**

1. Enter the total pension or annuity payments received this year. Also, add this amount to the total for Form 1040, line 16a; Form 1040A, line 12a; or Form 1040NR, line 17a 1. _____

2. Enter your cost in the plan (contract) at the annuity starting date plus any death benefit exclusion.* See *Cost (Investment in the Contract) earlier*. 2. _____

Note: If your annuity starting date was before this year and you completed this worksheet last year, skip line 3 and enter the amount from line 4 of last year's worksheet on line 4 below (even if the amount of your pension or annuity has changed). Otherwise, go to line 3.

3. Enter the appropriate number from Table 1 below. But if your annuity starting date was after 1997 and the payments are for your life and that of your beneficiary, enter the appropriate number from Table 2 below 3. _____

4. Divide line 2 by the number on line 3 4. _____

5. Multiply line 4 by the number of months for which this year's payments were made. If your annuity starting date was before 1987, enter this amount on line 8 below and skip lines 6, 7, 10, and 11. Otherwise go to line 6 5. _____

6. Enter any amounts previously recovered tax free in years after 1986. This is the amount shown on line 10 of your worksheet for last year 6. _____

7. Subtract line 6 from line 2 7. _____

8. Enter the smaller of line 5 or line 7. 8. _____

9. **Taxable amount for year.** Subtract line 8 from line 1. Enter the result, but not less than zero. Also, add this amount to the total for Form 1040, line 16b; Form 1040A, line 12b; or Form 1040NR, line 17b.
Note: If your Form 1099-R shows a larger taxable amount, use the amount figured on this line instead. If you are a retired public safety officer, see *Insurance Premiums for Retired Public Safety Officers* earlier before entering an amount on your return 9. _____

10. Was your annuity starting date before 1987?
 Yes. **STOP.** Do not complete the rest of this worksheet.
 No. Add lines 6 and 8. This is the amount you have recovered tax free through 2008. You will need this number if you need to fill out this worksheet next year 10. _____

11. **Balance of cost to be recovered.** Subtract line 10 from line 2. If zero, you will not have to complete this worksheet Next year. The payments you receive next year will generally be fully taxable 11. _____

* A death benefit exclusion (up to \$5 000) applied to certain benefits received by employees who died before August 21, 1996.

Table 1 for Line 3 above

IF the age at annuity starting date was	AND your annuity starting date was —	
	BEFORE November 19, 1996, enter on line 3	AFTER November 18, 1996, enter on line 3
55 or under	300	360
56-60	260	310
61-65	240	260
66-70	170	210
71 or over	120	160

Table 2 for Line 3 above

IF the combined ages at annuity starting date were	THEN enter on line 3
110 or under	410
111-120	360
121-130	310
131-140	260
141 or over	210

(Note for CAFICS members: replace this page in Appendix C filed with your tax return(s) by a copy of the official letter from the UNJSPF or the last agency where you worked showing the amounts of the contributions to the UNJSPF.)

APPENDIX D

Information for Québec Taxpayers

TAXATION OF UNITED NATIONS MEDICAL PREMIUMS IN QUEBEC

1. This instruction covers how United Nations medical premiums paid for by former employers to retirees are required to be reported on the Québec tax return and is based on written correspondence and discussions held with *Revenu Québec* regarding the tax treatment of these employer-paid premiums.¹
2. Normally, the United Nations organizations pay part of the premiums for medical insurance for their retirees. The retirees also pay directly themselves a certain share. However, few if any United Nations organizations issue RL-1 slips to retirees resident in Québec, showing the amount of the medical premiums paid by the United Nations in Box A and in Box J.
3. On the RL-1 slips (which should be issued to retirees but rarely are) the amount of the premium paid by the employer in Box A is treated (for taxation purposes) as employment income. The same amount which should be reported also in Box J qualifies for the medical expense tax credit as does the portion of the premium paid directly by the retiree.
4. Clarification has been obtained from *Revenu Québec* as to how the amounts paid for by the employer (but not reported on an RL-1 slip) should be reported on the Québec tax return.
5. For those CAFICS members who retired from ICAO, it should be recalled that the amount of the premium paid for by ICAO (for the Sun Life medical insurance for retirees) is exactly the same amount as the retiree pays. In other words, ICAO pays 50% of the total premium and the retiree pays 50%. CAFICS members who have retired from other organizations of the United Nations system and are uncertain of the amount the employer paid for medical insurance should contact that employer to find out the amounts.

1. These premiums need not be reported on the federal tax return but the taxpayer may voluntarily include these premiums if it is to his/her advantage to do so in order to claim the premiums as a recognized medical expense (see CRA Publication IT-519R2, paragraph 65).

6. CAFICS members should proceed as detailed below when preparing their Québec income tax returns. The effect of following this procedure is that members who have enough medical expenses to qualify for the medical expense tax credit will pay less tax, most members who have few medical expenses will see no change in their taxes paid and a very few members may see their taxes increase slightly should their gross income increase to a level that causes them not to qualify for certain other means-tested tax credits – i.e., those credits that do not apply to taxpayers with higher incomes. However, even if the taxpayer owes no extra tax the amounts should be reported, since you do not want the tax authorities to have reason to believe you are intentionally omitting income required to be reported as per the tax law from your tax return.
 - a. The amount of premium paid by the United Nations organization for the retiree insurance should be reported on line 107² as Employment Income (even though the retiree is no longer working and is receiving a United Nations pension), it being understood that the retiree should approach the United Nations organization concerned to ascertain the amount paid for medical insurance for the retiree, in the absence of receiving a RL-1.
 - b. This amount of premium paid and reported on line 107 (or line 101 if you did receive an RL-1), since it is paid by a United Nations organization and is considered as Employment Income, can be deducted on line 297 (it being understood that the UN agencies with a Québec presence, ICAO, UNEP and UNESCO, have all concluded agreements with the Québec government but payments made by UN agencies outside Québec also qualify for a deduction). Be sure to add the amount to the other amount that you will include on line 297 (covering partial exemption of pension taxation) and enter a code of 88 on line 296 since you are claiming more than one deduction on line 297.
 - c. This amount of premium paid (together with the amount that the retiree paid himself/herself) can be included on line 381 as a Medical Expense

2. In those rare cases where the retiree receives an RL-1 showing the amount of the medical insurance premium paid, the amount in Box A should be reported on line 101 and not on line 107.

provided other conditions for inclusion on line 381 (3% rule, 12 consecutive months rule, etc.) are met. Add these amounts to any other amounts for medical expenses. When you fill out any Québec Medical Expenses Worksheet, be sure to include the total amount of the premium (employer paid plus employee paid) as one of your expenses.³

- d. Those members who use tax preparation software will most likely need to use special features in the software package to enter the employer-paid medical insurance premiums on the Québec return without causing them to be entered on the federal return. For example, if you use QuickTax (the best-selling tax software in Canada), you can position the cursor on any line in the tax return, then touch F2 and proceed to override the figure entered (only on that return, not on both). Also, in QuickTax, you can position the cursor on some fields and click on the right-button on the mouse to select a “Québec if different” option to enter a field. Check the instructions for the tax software you are using to find similar features.
- e. Bear in mind that, when certain overrides are entered or certain amounts are included, this results in some cases in you not being able to electronically file a return. If you get a message in the tax software saying that you do not qualify for electronic filing, it may be because you had to override certain data to show different amounts on the federal and Québec returns. In these cases, you will need to file your return manually.
- f. In any event, you should prepare a note explaining that you reported amounts for employer-paid medical insurance that also qualified as employment income from an United Nations agency and attach this note to your manual return – or in the event you are able to file electronically, be prepared to mail this note separately to the Québec tax authorities once your notice of acceptance of the electronic filing has been accepted or at such time when the Québec tax authorities ask for an explanation.

3. If you are a US citizen residing in Canada, receive US Social Security and there are US Medicare premiums deducted from your US Social Security be sure to include also the amount of the US Medicare premiums paid also as a Medical Expense on your tax returns.

7. CAFICS members who have very **low taxable incomes** (resulting in **very little or no tax to be paid**), substantial medical expenses and spouses with larger incomes should consider the following way to save tax payable on the Québec return of their spouse.
- a. If you have medical insurance claims where a portion of the medical expense was paid by insurance, then report the amount paid by the insurance as income on line 154, enter a code of 16 on line 153 (or 66 if you already have other codes on that line) and prepare an explanatory note saying the amount on line 154 is **MEDICAL REIMBURSEMENT**.
 - b. Provided you have included the full amount reimbursed by the medical insurance company as income on your own return, then your spouse can claim the full amount of the medical expense for a tax credit on his/her own return, which will lower the amount of tax due, provided that your spouse otherwise qualifies to claim medical expenses.
 - c. If these deductions are questioned or you are asked for further explanations, please refer whoever asks to Québec publication IN-130-V entitled *Medical Expenses* which states that qualified expenses can be claimed provided “the expenses were not and will not be reimbursed to you, or their reimbursement is included in your income and is not deducted elsewhere in your income tax return”.
 - d. You may choose to do this on your Québec tax return⁴. Due to the employer-paid insurance premiums, Québec taxpayers will have higher medical expenses to report on the Québec return than on the federal return (where the employer-paid insurance premiums are not taxable and are not entered as income).
8. Leave a note with your will for your heirs to make them aware that when you are deceased, medical expenses for the past **two years prior to the date of your death** (not already claimed) can be claimed on your final tax return.

4. You should be cautious before attempting this same approach on the federal tax return. CRA Publication IT-519R2, paragraph 66, has an explanation of what is not allowed that is different than explanations given in IN-130-V, the Québec publication.

9. Québec taxpayers should note that in the GUIDE for preparing an Income Tax Return (TP-1.G-V) in the section covering “An Oversight?” (see page 6 of both the 2008 English edition and the French edition), the guide says that if, during the last ten years (including the latest tax year), “you did not claim all the deductions and credits to which you were entitled, you may claim the deductions and credits by completing form TP-1.R-V, *Request for an Adjustment to an Income Tax Return.*”