**United Nations Secretariat**

**Income Tax Unit**

**Calculation of Taxable Portion of Lump Sum**

1. **If staff member is a tax payer from day 1**

**TA = LS – (C X P)**

TA = Taxable amount

LS = Lump Sum

C = Contribution

P = L/S percentage

Example 1:

Paul joined UN in Geneva on 1st March 1995 as a US citizen. He retired on 31st March 2015. Paul received Lump Sum of $325,000, which is 25%. Paul’s own contribution to Pension fund was $125,000. What is the taxable portion of Lump sum to be reported to IRS?

Answer:

TA = 325000 – (125000X25%)

= 325000-31250

= 293,750.00

So, the taxable portion of L/S is $293,750.00

1. **If Staff member become tax payer after joining date**

**TA = (LS X TaM)/TM – {(C X TaM)/TM}X P**

TA = Taxable Amount

LS = Lump sum

TaM = Taxable Months

TM = Total Months

C = Contribution

P = Lump sum Percentage

**Example 2.**

Micheal joined UN Secretariat on 11 September 1984 as an Indian Citizen, worked under G4 visa. He received Green Card and signed waiver on 7 August 2001. Michael separated from organization on 31 March 2015. He received a Lump sum of $304,827, which is 33% and his own contribution to the pension fund was $151,047. What is his taxable amount to be reported to IRS?

**Answer**

Workings: TM = Total Months of service = 366

TaM = Months worked as Tax Payer = 163

TA = (304,827X163)/366 – {(151,047X163)/366}X33%

= 135,756 – 22,199

= $113,557

**So, taxable portion of Lump sum is US$113,557.00**