Why money is taken off an Old Age Security (OAS) payment, and where the tax slip shows it

A monthly Old Age Security (OAS) payment can be lower because of the OAS recovery tax, income tax the person asked to have deducted, or the recovery of an earlier overpayment. Recovery tax withheld from July 2026 to June 2027 is based on 2025 net world income above $93,454. The T4A(OAS) slip shows each amount in its own box.

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https://oasguide.ca/en/library/why-money-is-taken-off-my-oas

Three kinds of deduction can lower an OAS payment

The gross OAS pension and the amount deposited each month are not always the same figure. The yearly T4A(OAS) slip has separate boxes for gross pension paid, net pension paid, overpayment recovered, and income tax deducted.[1] Those boxes match the three usual reasons a payment is smaller:

- OAS pension recovery tax, often called the clawback, withheld because of income in an earlier year.
- Voluntary federal income tax that the person asked Service Canada to deduct.
- Money recovered because of an overpayment from a previous period.

Each one is handled differently, and each is changed through a different office. The recovery tax is a Canada Revenue Agency (CRA) matter. Voluntary deductions are set with Service Canada.[2]

Recovery tax is based on income from an earlier year

The recovery tax applies when net world income is above a yearly threshold. The person repays 15% of the amount above it.[3] The government's table links each income year to a recovery period of 12 months, running from July to June.[3]

- 2024 income, threshold $90,997: deducted from July 2025 to June 2026.
- 2025 income, threshold $93,454: deducted from July 2026 to June 2027.
- 2026 income, threshold $95,323: deducted from July 2027 to June 2028.

Canada.ca explains that the repayment amount is divided by month and deducted from OAS payments as a recovery tax. A letter tells the person about the deductions being withheld.[3] The lag explains why a deduction can start in July, long after the income was earned. The deductions taken in the first half of 2027 will still rest on 2025 income, which is two years earlier.

The government's own example uses 2025 income of $100,000. The amount above $93,454 is $6,546, and 15% of that is $981.90 for the July 2026 to June 2027 period.[3] Spread over 12 months, that would be about $81.83 a month, as an illustration of the arithmetic only.

The tax return settles the recovery tax for the year

The monthly deductions are an advance on the tax, not the final figure. The CRA says recovery tax withheld from 2025 OAS benefits appears in box 22 of the 2025 T4A(OAS) slip.[4] It is not claimed as a deduction on line 23200. Instead, the repayment for the year is worked out with the line 23500 chart, and the box 22 amount is claimed on line 43700.[4]

Line 43700 is the line for total income tax deducted, where the amounts in the income tax deducted box of every Canadian slip are added together.[5] The recovery tax already withheld is therefore counted as tax paid. The return then sets the actual repayment based

on that year's own income.

Each box on the T4A(OAS) slip has its own purpose

The CRA's filing specifications name the boxes on the slip. Box 18 is net pension paid, box 19 is gross pension paid, box 20 is overpayment recovered, box 21 is net supplements paid, and box 22 is income tax deducted.[1] On the return, the box 18 amount goes on line 11300.[6]

The CRA describes box 20 as amounts recovered from the OAS pension because of an overpayment from a previous period.[6] A deduction for that reason is separate from tax. Service Canada mails the slip in February to people who have not signed up to see it online. People who have signed up can view it in My Service Canada Account.[2]

A lower income this year can support a request to reduce the withholding

The withholding follows an older year's income, which can be much higher than income after retirement. The CRA says a person whose 2025 net income was above the threshold can ask for a waiver if their 2026 net income is expected to be substantially lower.[4] Service Canada would then reduce the tax withheld at source beginning in July 2026.[4]

The request is made in writing to the CRA, on Form T1213(OAS), Request to Reduce Old Age Security Recovery Tax at Source.[47] Canada.ca also says that a person whose deductions cause financial hardship may ask the CRA to review their situation.[3]

Voluntary income tax deductions start only on request

Service Canada does not deduct income tax from OAS automatically for people who live in Canada. A person who does not ask for monthly deductions may have to pay tax when filing a return.[2] Deductions can be started or changed in My Service Canada Account. They can also be requested on paper, with the Request for Voluntary Federal Income Tax Deductions for Canada Pension Plan (CPP) and OAS (ISP3520OAS).[28]

For people living outside Canada, non-resident tax of up to 25% is deducted automatically, depending on the country.[2] A smaller payment in that case may reflect non-resident tax rather than the recovery tax. The OAS clawback guide on this site covers the thresholds in more detail. Questions about a particular deduction belong with the CRA or Service Canada, which hold the file.

Notes

1. Canada Revenue Agency, “T4A(OAS), Statement of Old Age Security (T619 electronic filing specifications, 2026)”, page modified 2026-02-03. https://www.canada.ca/en/revenue-agency/services/e-services/filing-information-returns-electronically-t4-t5-other-types-returns-overview/t619-2026/t4aoas-2026.html (accessed 2026-10-10)

2. Government of Canada, “Managing your taxes (CPP and OAS)”, page modified 2026-05-25. https://www.canada.ca/en/services/benefits/publicpensions/taxes.html (accessed 2026-10-10)

3. Government of Canada, “Old Age Security pension recovery tax”, page modified 2026-09-29. https://www.canada.ca/en/services/benefits/publicpensions/old-age-security/recovery-tax.html (accessed 2026-10-10)

4. Canada Revenue Agency, “Line 23500 - Social benefits repayment”, page modified 2026-01-20. https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-23500-social-benefits-repayment.html (accessed 2026-10-10)

5. Canada Revenue Agency, “Line 43700 - Total income tax deducted”, page modified 2026-01-20. https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-43700-total-income-tax-deducted.html (accessed 2026-10-10)

6. Canada Revenue Agency, “Line 11300 - Old age security (OAS) pension”, page modified 2026-01-20. https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/personal-income/line-11300-old-security-pension-oas.html (accessed 2026-10-10)

7. Canada Revenue Agency, “T1213OAS Request to Reduce Old Age Security Recovery Tax at Source”, page modified 2026-09-03. https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/t1213oas.html (accessed 2026-10-10)

8. Service Canada, “Request for Voluntary Federal Income Tax Deductions - CPP/OAS (ISP3520OAS), form detail”, no date shown on page. https://catalogue.servicecanada.gc.ca/content/EForms/en/Detail.html?Form=ISP3520OAS (accessed 2026-10-10)

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