



Canada Revenue
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Retirement Compensation Arrangements Guide

2006

Before you start

Is this guide for you?

This guide is for you if one of the following applies:

- You are an **employer** and you make contributions to a custodian for a retirement compensation arrangement (RCA).
- You are a **custodian** of an RCA trust who:
 - receives contributions from an employee or employer for an RCA;
 - files a T3-RCA tax return for an RCA trust; or
 - makes distributions out of an RCA trust to a beneficiary.
- You **buy an interest** in an RCA.
- You submitted a pension plan for registration and **we refused to register the plan** as a registered pension plan (RPP). In this case, we generally consider that any contributions made to the plan before the date of final determination are contributions to an RCA.

Do you need to read the whole guide?

If you bought an interest in an RCA, you do not need to read the whole guide. We have used the ▲ symbol to direct you to the information you may need. This symbol appears in the right margins of the guide.

Before you start, be sure to read “Appendix 1 – Person who bought an interest in an RCA” on page 19.

What is an RCA?

Definition

A retirement compensation arrangement (RCA) is a plan or an arrangement under which an employer, former employer, or in some cases an employee makes contributions to a person or partnership, referred to as a custodian.

The custodian holds the funds in trust with the intent of eventually distributing them to the employee (beneficiary). Distribution may occur on, after, or in view of:

- an employee’s retirement;
- an employee’s loss of an office or employment; or
- any substantial change in the services the employee provides (for example, an athlete retained as a scout after the end of a professional playing career).

An employer or former employer may acquire an interest in a life insurance policy (including an annuity) to fund benefits on, after, or in view of an employee’s retirement,

an employee’s loss of an office or employment, or any substantial change in the services the employee provides. In this case, we consider this interest to be the property of an RCA and the employer to be the custodian of the RCA.

Refundable tax

The contributions made by the employer to the custodian are taxable under Part XI.3 of the *Income Tax Act* (the Act). The tax is equal to 50% of the amount of the contributions. The employer sends this tax to the Canada Revenue Agency (CRA) for the RCA trust. However, the tax is refundable and we return it to the custodian when distributions are made out of the RCA trust to the beneficiary.

Any income from business or property, or a capital gain earned in the RCA trust, is also taxable under Part XI.3 of the Act at 50% of the amount of the income. The custodian remits this tax to us and we refund it as distributions are made to the beneficiary.

The custodian has to file a T3-RCA tax return each year, even if there has been no activity in the RCA trust in the year. When filing the tax return, the custodian ensures that the correct amount of refundable tax has been sent to us or has been refunded to the RCA trust.

Distributions

All distributions out of the RCA trust to a beneficiary are taxable. The custodian has to provide the beneficiary with a T4A-RCA slip, *Statement of Distributions From a Retirement Compensation Arrangement (RCA)*, showing the amount of distributions and of the income tax deducted. The beneficiary reports the amount distributed in his or her income and claims the income tax deducted on his or her income tax and benefit return for the year it is received.

Annuity contract

When the custodian of an RCA buys an annuity contract for the beneficiary, we consider that the amount paid to buy the contract is a taxable distribution out of the RCA trust to the beneficiary. The full amount is taxable in the year the custodian buys the contract, and the custodian has to issue a T4A-RCA slip showing the amount of the distribution and of the income tax deducted.

Excluded arrangements

Certain retirement arrangements (such as registered pension plans, deferred profit-sharing plans, salary deferral arrangements, and employee trusts) do not qualify as RCAs. For other excluded arrangements, see the definition of **retirement compensation arrangement** in subsection 248(1) of the Act.

What's new for 2006?

Changes on the Form T3-RCA

We added the three following questions on top of Form T3-RCA: "Is this the final return of the RCA trust?", "Has the address changed since the last Part XI.3 tax return?" and "Has the custodian changed since the last Part XI.3 tax return?" For more information, see the instructions on page 9. We also added a new box for the language of correspondence. For more information, see the instructions on page 12. At question 3 of Step 1, we added two boxes to request the Business Number and the Non-resident remittance account number.

New box on the T4A-RCA Summary

We added a new box on the T4A-RCA Summary under the Business Number box to indicate the Corresponding

Custodian account number. For more information, see "Corresponding Custodian account number" on page 15.

Changes on Form T733

We added two questions on top of the T733 requesting the employer's and custodian's language of correspondence. For more information, see the instructions on page 5.

Changes on the T737-RCA Summary

We added a question on the T737-RCA requesting the language of correspondence. For more information, see the instructions on page 7.

At your service

What if you need help?

This guide uses plain language to explain the most common RCA income tax situations. If you need help after reading this guide, please contact the RCA Unit at the Winnipeg Tax Centre, 66 Stapon Road, Winnipeg MB R3C 3M2, or call 204-984-2091.

Our Web site

To find more information and most of our publications, visit our Web site at www.cra.gc.ca.

Confidentiality of information

Under the *Privacy Act*, the information you give on RCA information and tax returns and related forms can be used only for the purposes authorized by law.

Income Tax Act references

In this guide, all legislative references relate to the *Income Tax Act* except where the reference follows the letters "Reg.," in which case the reference is to the *Income Tax Regulations*.

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Chapter 1 – Employer responsibilities

This chapter covers the following employer responsibilities:

- filing Form T733, *Application for a Retirement Compensation Arrangement (RCA) Account Number*, to apply for employer (RC) and custodian (CS) account numbers;
- withholding refundable tax and remitting it to us using Form T901B, *Statement of Account*;
- filing a T737-RCA information return to report contributions you made to the custodian of an RCA trust; and
- reporting deductible RCA contributions to the employee.

Applying for RC and CS accounts

After establishing an RCA with a custodian, you have to complete Form T733, *Application for a Retirement Compensation Arrangement (RCA) Account Number*. We use this form to open the following two accounts:

- the RC Employer account that we and the employer use to monitor the 50% refundable tax on hand for contributions made to the custodian; and
- the CS Custodian account that we and the custodian use to monitor the balance of the refundable tax on hand for the RCA trust.

When we receive your completed Form T733 along with a copy of the RCA trust agreement (with an original signature), we will give you an Employer account number starting with the letters RC. We will also give the custodian a separate Custodian account number starting with the letters CS.

- The employer uses the RC Employer account number when remitting the refundable tax on contributions made to the custodian.
- The custodian uses the CS Custodian account number when filing a T3-RCA tax return and when remitting refundable tax on employee contributions and on income earned in the RCA trust.

Completing Form T733, *Application for a Retirement Compensation Arrangement (RCA) Account Number*

You have to give the following information on Form T733.

Employer's language of correspondence

Tick (✓) the appropriate box.

Custodian's language of correspondence

Tick (✓) the appropriate box.

Line 1 – Employer's legal name

Enter the employer's legal name. The employer may operate under a different name; however, we need the legal name, not the operating name.

Line 2 – Employer's address

Enter the employer's complete address.

Line 3 – Name and telephone number of employer's representative

Enter the name and telephone number of the person we can contact if we need more information about the RCA. The appropriate representative is usually the employer's controller or payroll clerk, not the accounting firm that prepares the financial information.

Line 4 – RCA trust's name

Enter the full name of the RCA trust.

Line 5 – Custodian's name and telephone number

Enter the full name and telephone number of the custodian for the RCA trust. The custodian is often a trust company or other financial institution.

Line 6 – Custodian's address

Enter the custodian's complete address.

Line 7 – Name and telephone number of custodian's representative

Enter the name and telephone number of the person we can contact if we need more information about the RCA trust.

Line 8 – Date this RCA became effective

Enter the date the RCA became effective.

Line 9 – Contributions already made to the custodian for this RCA trust

If you made contributions to the custodian, list the dates and amounts of those contributions.

Line 10 – Contributions to be made in the year the RCA becomes effective

If you intend to make contributions to the custodian in the year the RCA becomes effective, list the expected dates and amounts of those contributions.

Line 11 – Address for books and records

Tick (✓) the appropriate box. If the address is not the same as the one on line 2 or 6, enter the address where the books and records of the RCA will be kept.

Line 12 – Distributions out of this RCA trust

Tick (✓) the *Yes* or *No* box, whichever applies, to indicate whether more than one employee will receive distributions from this RCA trust.

Certification

An authorized officer of the employer has to complete and sign this area.

Filing Form T733

Send the completed original of Form T733 and a signed copy of the RCA trust agreement to the RCA Unit, Winnipeg Tax Centre, 66 Stapon Road, Winnipeg MB R3C 3M2.

Keep a photocopy for your records.

Withholding and remitting the refundable tax

Withholding the refundable tax

When an employer makes a contribution to a custodian for an RCA trust, the employer has to withhold tax equal to 50% of the amount of the contribution and remit the tax to us. For information about remitting the refundable tax, see the section called “Remitting the refundable tax” later on this page.

If an employer does not withhold the 50% refundable tax on contributions made to a custodian, the employer has to remit to us an amount equal to the amount of the contribution made to the custodian. See the section called “Refundable tax on contributions” on page 17. We may also apply a penalty for failing to comply with withholding requirements. See the section called “Consequences for failing to comply with withholding, remitting, or filing requirements” on page 17.

If an employer made payments to acquire an interest in a life insurance policy that we consider to be an RCA, the employer has to remit to us an amount of refundable tax equal to those payments.

Withholding refundable tax on transfers between RCA trusts

Subsection 207.6(7) provides special rules that govern the transfer of amounts between RCA trusts under the following conditions:

- a lump-sum amount is transferred **directly** from one RCA trust (the **transferring plan**) to another RCA trust (the **receiving plan**);
- the receiving plan does **not** have a non-resident custodian; and
- the receiving plan is **not** a foreign plan considered to be an RCA for Canadian residents participating in the plan under subsection 207.6(5).

To make sure the refundable tax is transferred from the transferring plan’s account to the receiving plan’s account, representatives from both plans should have signed a letter of agreement. When you send this letter to us, we will be able to transfer the refundable tax from the transferring plan’s account to the receiving plan’s account. For more information, see the section called “Transferring amounts between RCA trusts” on page 16.

You may receive funds from an RCA trust that you want to transfer to another RCA trust. If the transfer does **not** meet the conditions described above, you should receive a T4A-RCA slip, *Statement of Distributions From a Retirement Compensation Arrangement (RCA)*, from the RCA trust. You have to include in income the refund of employer contributions shown in box 12 of the T4A-RCA slip. When you contribute the funds to the custodian of another RCA trust, you have to withhold 50% refundable tax on the funds you contribute. You have to remit the 50% refundable tax to us and prepare a T737-RCA information return to report the amounts you contribute to the other RCA trust.

Remitting the refundable tax

We have to receive the refundable tax on or before the 15th day of the month after the month in which it was withheld. If you remit this tax late, you will be subject to a penalty. For more information, see the sections called “Refundable tax on contributions” and “Penalty for remitting late or failing to remit the refundable tax” on page 17.

Send your first payment of refundable tax to the RCA Unit at the Winnipeg Tax Centre by cheque or money order made out to the Receiver General for Canada. After we process the payment, we will acknowledge receipt and issue Form T901B, *Statement of Account*, which includes a blank remittance voucher. You have to use the remittance voucher to make subsequent payments, either directly to the Winnipeg Tax Centre, or through a Canadian financial institution. When making subsequent payments, verify the **RC Employer** account number printed on Form T901B and correct it if necessary. Enter the date you are making the contribution on the back of the form.

If you do not receive Form T901B in time for your next payment, do not delay making the remittance. Send the payment directly to the Winnipeg Tax Centre with a note indicating the following:

- your name and address;
- the custodian’s full name and complete address;
- the full name of the RCA trust;
- the month and year for which the contribution was made; and
- the **RC Employer** account number.

If you are required to remit this tax but have not received an **RC Employer** account number, complete Form T733 and send it with your payment directly to the Winnipeg Tax Centre.

You can print or download Form T733 from our Web site at www.cra.gc.ca/forms or contact our forms line at 1-800-959-2221.

After we receive this information, we will send you confirmation of your **RC Employer** account number. After we process the payment, we will also acknowledge receipt and issue Form T901B, *Statement of Account*, which includes a blank remittance voucher.

Filing a T737-RCA information return to report contributions you made to the custodian of an RCA trust

To report the amount of contributions you made to the custodian, you have to submit a completed T737-RCA information return, which includes a T737-RCA Summary, *Information Return of Contributions Paid to a Custodian of a Retirement Compensation Arrangement (RCA)*, and the related T737-RCA slips, *Statement of Contributions Paid to a Custodian of a Retirement Compensation Arrangement (RCA)*. You have to file the information return no later than the last day of February following the calendar year in which you made contributions to the

custodian. If you **did not** make any contributions during the year, you do not have to file this information return.

Completing the T737-RCA slip, *Statement of Contributions Paid to a Custodian of a Retirement Compensation Arrangement (RCA)*

The T737-RCA slip is available as a single-page form for laser and ink jet printers, and as a .pdf fillable version. You can get these forms from our Web site.

You have to enter the following information on the T737-RCA slip.

Year

Enter the four-digit calendar year for which you are preparing the T737-RCA slip.

Box 18 – Gross contributions by employer under an RCA

Enter the amount of gross contributions under the RCA. This is the total of the net contributions you made to the custodian, **plus** the amount of refundable tax you deducted from the contributions during the year and remitted to us.

Note

Do not include on the T737-RCA information return contributions an **employee** made directly to the RCA trust. The custodian will issue a letter to the employee for these contributions.

The amount of contributions you made to the custodian may also include one or more of the following:

- amounts considered to be contributions to an RCA trust under subsection 207.6(4);
- amounts withheld from income for the employee;
- transfers of funds to another RCA trust if the receiving plan has a non-resident custodian when the transfer is made;
- transfers of funds to another RCA trust if, when the transfer is made, the receiving plan is a foreign plan considered under subsection 207.6(5) to be an RCA for Canadian residents participating in the plan;
- if the contributor is a corporation, contributions made by a predecessor corporation or subsidiary corporation (if wound up into the parent corporation); or
- if the contributor acquired an interest in a life insurance policy (including an annuity) to meet an employer's obligation to provide benefits under an RCA, twice the amount of any premium paid for the interest or any repayment of a policy loan.

As an employer, you may be able to deduct the amount of contributions in box 18 when you calculate income from a business or property.

Note

We may deny the deduction if the amounts are paid as a series of contributions and refunds of contributions under the RCA.

For example, if the employer makes a contribution to the RCA trust at the year-end and the custodian refunds that

amount to the employer in the next year, we may deny the deduction if we determine that the amount was contributed to obtain a deduction rather than to provide for retirement distributions.

Box 20 – Net contributions made to the custodian

Enter the amount of net contributions you made to the custodian, or the amount you paid to buy an interest in a life insurance policy that we consider to be an RCA. This amount will equal half of the amount entered in box 18.

Box 22 – Refundable tax deducted

Enter the amount of refundable tax you deducted during the year and remitted, or will remit, to us. This amount will equal the amount entered in box 20.

Custodian's name and address

Enter the custodian's full name and complete address.

Employer's name

Enter the employer's full name.

Box 26 – Employer account number

Enter the RC Employer account number we assigned to the employer.

Completing the T737-RCA Summary, *Information Return of Contributions Paid to a Custodian of a Retirement Compensation Arrangement (RCA)*

Enter the following information on the T737-RCA Summary.

Language of correspondence

Tick (✓) the appropriate box.

Year

Enter the four-digit calendar year for which you are preparing the T737-RCA information return.

Employer account number

Enter the RC Employer account number we assigned to the employer. You can find this number on Form T901B, *Statement of Account*.

Employer's name and address

Enter the employer's full name and complete address. This name has to be the same as the employer's name on Form T901B.

Has the address changed since the last T737-RCA information return?

Tick (✓) the appropriate box.

Line 88 – Total number of T737-RCA slips filed

Enter the total number of T737-RCA slips filed with this T737-RCA information return. In most cases, there will only be one.

Line 18 – Gross contributions by employer under an RCA
Enter the amount of gross contributions you made to the custodian. This is the contribution amount **before** tax deductions and equals the total of the amounts in box 18 of all T737-RCA slips filed with this T737-RCA information return.

Line 20 – Net contributions made to the custodian
Enter the amount of net contributions you made to the custodian. This is the contribution amount **after** tax deductions and equals the total of the amounts in box 20 of all T737-RCA slips filed with this T737-RCA information return.

Line 22 – Refundable tax deducted
Enter the amount of refundable tax deducted. This equals the total of the amounts in box 22 of all T737-RCA slips filed with this T737-RCA information return.

Line 82 – Remittances
Enter the amount of refundable tax you remitted to us for the year. You can get this amount from your most recent Form T901B, *Statement of Account*.

Difference

Subtract line 82 from line 22. This is the amount of refundable tax owing or, if the result is negative, it is the amount overpaid.

Line 84 – Overpayment
Enter the amount of refundable tax overpaid, if applicable. Generally, if the difference is \$2 or less, you will not receive a refund.

Line 86 – Balance owing
Enter the amount of refundable tax owing, if applicable. Generally, if the difference is \$2 or less, you do not have to make a payment.

You may be subject to a penalty for late payment if you have a balance owing. See Chapter 3 for details.

Amount enclosed

Enter the amount of payment you are remitting with this information return.

Line 76 – Person to contact about this return
Enter the name of the person we can contact about this information return.

Line 78 – Area code and telephone number
Enter the area code and telephone number of the person we can contact about this information return.

Certification

An authorized officer of the employer has to complete and sign this area.

Distributing the slips and summary

Attach one copy of every T737-RCA slip to the completed original of the T737-RCA Summary, and send them together with your payment for any balance owing to the

RCA Unit, Winnipeg Tax Centre, 66 Stapon Road, Winnipeg MB R3C 3M2, no later than the last day of February following the year to which the T737-RCA information return relates.

Send two copies of every T737-RCA slip to the custodian for this RCA no later than the last day of February of the year after the year to which the information return relates.

Keep a photocopy of the completed T737-RCA Summary and one copy of every T737-RCA slip for your records.

Electronic fillable slips

If you use the .pdf fillable T737-RCA slip for ink-jet and laser printers, you can print them on plain white paper. You can also make photocopies to distribute to the recipients. We now accept copies of our forms, not only the original forms that are pre-printed.

Note

You can send recipients an electronic copy of their T737-RCA slips. However, each recipient has to consent in writing (in a letter or by email) to receive the slips electronically.

If you file the T737-RCA information return late or distribute the information slips late, you may be subject to a late-filing penalty. See Chapter 3 for details.

Reporting deductible RCA contributions to the employee

Include in box 20 of the T4 slip, *Statement of Remuneration Paid*, that you issue to the employee any deductible RCA contributions you withheld from income for that employee. Do not include amounts that are not deductible. If the amount in box 20 of the T4 slip includes both registered pension plan contributions and deductible RCA contributions, send a letter to the employee showing each amount separately.

Chapter 2 – Custodian responsibilities

This chapter discusses the following custodian responsibilities:

- receiving employee contributions;
- remitting refundable tax to us on amounts received directly from an RCA member (employee), using the remittance voucher on Form T901B, *Statement of Account*;
- filing a T3-RCA tax return and remitting the refundable tax owing;
- filing Form T735, *Application for a Remittance Number for Tax Withheld From a Retirement Compensation Arrangement (RCA)*, to apply for a remittance account number for income tax withheld on distributions;
- withholding income tax on distributions made out of the RCA trust;

- filing Form PD7A, *Remittance Form – Statement of Account for Current Source Deductions*, to remit income tax withheld on distributions;
- filing Form NR76, *Non-Resident Tax – Statement of Account*, to remit income tax withheld on distributions to non-residents;
- filing a T4A-RCA information return to report distributions made out of the RCA trust;
- filing an NR4 information return to report distributions to non-residents; and
- providing us with details of any funds transferred to or from another RCA trust.

Note

A person who bought another person’s interest in an RCA has to undertake many of the same responsibilities that a custodian does. Appendix 1 on page 19 addresses those responsibilities and directs the buyer to the applicable areas of this chapter.

Receiving employee contributions

Under the terms of some employment agreements, an employee is required to contribute an amount to the RCA trust.

- Some agreements require the employer to withhold the amounts from the employee’s income.
- Other agreements require the employee to make these contributions directly to the custodian.

To be deductible by the employee under paragraph 8(1)(m.2), the **total amount contributed for the year by the employee cannot be more than** the total amount contributed in the year by the employer for the employee.

Amounts received that were withheld from income by the employer

If you receive a contribution for an employee that was withheld from income by the employer, you have to send a letter of acknowledgement to the employee. The letter must also tell the employee whether the amount is deductible and, if so, to deduct it on line 207 of his or her income tax and benefit return. The employee may need this letter to support the deduction on the return.

When an employer makes a contribution to a custodian for an RCA trust, the employer has to withhold tax equal to 50% of the amount of the contribution and remit the refundable tax to us. The employer will issue a T737-RCA slip, *Statement of Contributions Paid to a Custodian of a Retirement Compensation Arrangement (RCA)*, to tell you the amount of tax withheld and remitted to us.

Amounts received directly from an RCA member (employee)

If you receive a contribution **directly** from an employee, send a letter of acknowledgement to the employee. The letter must also tell the employee whether the amount is deductible and, if so, to deduct it on line 207 of his or her

income tax and benefit return. The employee may need this letter to support the deduction on the return.

Remitting the refundable tax on amounts received directly from an RCA member (employee)

Contributions made directly to the RCA trust by an employee will not have refundable tax withheld. However, the custodian of the RCA trust is responsible for remitting the refundable tax based on all contributions made directly by the employee. If you remit this tax late, the RCA trust is subject to a penalty. For more information, see the section called “Penalty for remitting late or failing to remit the refundable tax” on page 17.

Filing a T3-RCA, Part XI.3 Tax Return – Retirement Compensation Arrangement (RCA)

As a custodian of an RCA trust, you have to file Form T3-RCA, *Part XI.3 Tax Return – Retirement Compensation Arrangement (RCA)*, every year, no later than 90 days after the end of the RCA trust’s tax year. An RCA trust is an inter-vivos trust and, as such, its tax year is the calendar year. We may apply a penalty if you file this return late. See Chapter 3 for details.

Note

If the employer submitted the RCA for registration under the Act as a registered pension plan (RPP) and we refused to register the arrangement as an RPP, the T3-RCA tax return is due no later than 90 days after the date of the final determination.

Completing the T3-RCA tax return

You have to enter the following information when you complete the T3-RCA tax return.

RCA trust’s tax year

Enter the four digits of the RCA trust’s tax year for which you are filing this tax return.

Is this the first T3-RCA tax return filed?

Tick (✓) the *Yes* or *No* box, whichever applies.

Is this an amended T3-RCA tax return?

Tick (✓) the *Yes* or *No* box, whichever applies.

Is this the final return of the RCA trust?

Tick (✓) the *Yes* or *No* box, whichever applies.

Has the address changed since the last Part XI.3 tax return?

Tick (✓) the *Yes* or *No* box, whichever applies.

Has the custodian changed since the last Part XI.3 tax return?

Tick (✓) the *Yes* or *No* box, whichever applies. If the custodian changed, attach a copy of the amended trust agreement to the T3-RCA return.

Identification

RCA trust's name

Enter the full name of the RCA trust.

Custodian's name

Enter the custodian's full name.

Custodian's address

Enter the custodian's complete address.

Custodian account number

Enter the CS Custodian account number we assigned to the custodian.

Person to contact about this tax return

Enter the name of the representative we can contact about this tax return.

Area code and Telephone number

Enter the area code and telephone number where we can contact the custodian's representative about this tax return.

Note

There are six steps on the T3-RCA tax return.

Complete the steps of the T3-RCA tax return in order.

Steps 1 and 2 are on page 2.

Step 1 – Supporting documentation

Tick (✓) the *No* or *Yes* boxes, as they apply. If you answer *Yes* to any of the questions in Step 1, give the information requested or attach the applicable documents to page 3 of the T3-RCA tax return, as indicated.

If you loaned money out of the RCA trust, answer *Yes* to question 8, and provide a copy of the loan agreement.

If you answered *Yes* to question 9, attach a copy of the letter of agreement between the two RCA trusts. For details about the information that you should give in the letter, see the section called "Transferring amounts between RCA trusts" on page 16.

Step 2 – Details of contributions received during the year

Note

If you do not complete Step 2, we cannot process your return.

Part 1 – Amounts received from employer

Give details for each contribution received from an employer during the year. If there is not enough space, attach a separate list. Attach copy 2 of the T737-RCA slips to support the amount on line 01.

If the custodian of this RCA trust is a non-resident, or if this arrangement is a foreign plan considered under subsection 207.6(5) to be an RCA for Canadian residents participating in the plan, give details of any lump-sum amounts that have been transferred from another RCA trust to this RCA trust.

Part 2 – Amounts received directly from an RCA member

Give details of all amounts received directly from an RCA member. If there is not enough space, attach a separate list.

Part 3 – Amounts transferred directly from another RCA trust

If funds have been transferred **directly** from another RCA trust (the **transferring plan**) to this RCA trust (the **receiving plan**), and the receiving plan does **not** have a non-resident custodian and is **not** a foreign plan considered

under subsection 207.6(5) to be an RCA for Canadian residents participating in the plan, include in Part 3 any lump-sum amounts transferred directly to the receiving plan. For more information about transfers between RCA trusts, see the section called "Transferring amounts between RCA trusts" on page 16.

Note

If the custodian of this RCA trust is a non-resident, or if this arrangement is a foreign plan considered under subsection 207.6(5) to be an RCA for Canadian residents participating in the plan, do not include the transfer in Part 3. Instead, enter this amount as an employer contribution in Part 1.

If there is not enough space to record all amounts transferred, attach a separate list. Attach a copy of the letter of agreement between the two RCA trusts to page 3 of the T3-RCA tax return. This letter will authorize us to make the transfer of the related refundable tax on hand to your RCA trust's account.

Step 3 – Calculating the refundable tax on hand for the current year

Step 3 is on page 4 of the T3-RCA tax return.

Part 1 – Refundable tax on hand before distributions or election

Complete lines 01 to 17, as they apply.

Line 01 – Refundable tax on total contributions at the beginning of the year.

You can get this amount from line 06 of Step 3 on page 4 of your prior year's tax return.

Line 02 – Current year's employer contributions.

You can get this information from line 01 of Step 2.

Line 03 – Current year's member contributions.

You can get this information from line 02 of Step 2.

Line 04 – Current year's amount transferred from another RCA trust.

You can get this information from line 03 of Step 2.

Line 05 – Refundable tax on total contributions.

Add the amounts on lines 02 to 04, then multiply that total by 50% to determine the amount of refundable tax you have to enter on line 05.

Line 06 – Refundable tax on total contributions at the end of the year.

Add the amounts on lines 01 and 05.

Line 07 – Income and capital gains at the beginning of the year.

You can get this information from line 10 of Step 3 on page 4 of your prior year's tax return.

Line 08 – Current year's income from business and property.

Enter the RCA trust's income for the year from business and property. Do not include the dividend gross-up amount calculated under paragraph 82(1)(b). Attach financial statements for the business or property to page 3 of the T3-RCA tax return.

Line 09 – Current year's capital gains.

Enter the RCA trust's capital gains for the year.

Line 10 – Total income and capital gains.

Add lines 07 to 09.

Line 11 – Losses and capital losses at the beginning of the year. You can get this information from line 14 of Step 3 on page 4 of your prior year's tax return.

Line 12 – Current year's losses from business and property. Enter the RCA trust's losses for the year from business and property. Attach financial statements for the business and property to page 3 of the T3-RCA tax return.

Line 13 – Current year's capital losses. Enter the RCA trust's capital losses for the year.

Line 14 – Total losses and capital losses. Add lines 11 to 13.

Line 15 – Excess of income and capital gains over losses and capital losses. Subtract the amount on line 14 from the amount on line 10. If this amount is negative, enter "0".

Line 16 – Refundable tax on excess of income and capital gains over losses and capital losses. Multiply the amount on line 15 by 50% to determine the amount of refundable tax you have to enter on line 16.

Line 17 – Refundable tax on hand before distributions or election. Add the amounts on lines 06 and 16. Transfer this amount to line 17 in Part 3 of Step 3.

Part 2 – Distributions

You need to complete Part 2 if, while the arrangement was an RCA, you made distributions, returned amounts to the employer, or transferred amounts to another RCA.

Line 18 – Distributions at the beginning of the year. You can get this information from line 22 in Part 2 of Step 3 on page 4 of your prior year's tax return.

Line 19 – Current year's distributions out of the RCA trust. Include on line 19 any funds you distributed out of the RCA trust to a beneficiary throughout the year. Do **not** include on line 19 amounts transferred to another RCA or amounts returned to the employer. Attach copy 5 of all T4A-RCA slips and a photocopy of all NR4 slips.

Line 20 – Current year's amounts returned to employer or employee to be included in employer's or employee's income. Include on line 20 any amounts you returned to the employer. Attach copy 5 of all T4A-RCA slips and a photocopy of all NR4 slips.

If you transferred funds to another RCA trust, and the custodian of the other RCA trust is a non-resident, or if the other arrangement is a foreign plan considered under subsection 207.6(5) to be an RCA for Canadian residents participating in the plan, include the transfers on line 20 as amounts returned to the employer.

Line 21 – Current year's amounts transferred directly to another RCA trust. If you transferred funds **directly** from this RCA trust (the **transferring plan**) to another RCA trust (the **receiving plan**), and the receiving plan does **not** have a non-resident custodian and is **not** a foreign plan considered under subsection 207.6(5) to be an RCA for Canadian residents participating in the plan, include on line 21 any lump-sum amounts transferred directly to the receiving plan. You have to multiply this amount by 2 because, under the letter of agreement, we will transfer the same amount of refundable tax from the transferring plan to the receiving plan. For more information about transfers between

RCA trusts, see the section called "Transferring amounts between RCA trusts" on page 16.

Line 22 – Total distributions. Add lines 18 to 21. Transfer this amount to line 22 in Part 3 of Step 3.

Part 3 – Refundable tax on hand (after distributions) at the end of the tax year

If you are electing under subsection 207.5(2), you may not have to complete this part. See the section called "Step 4 – Election under subsection 207.5(2) to recover refundable tax on hand" later on this page for information on when electing to recover refundable tax on hand may benefit you.

If you are closing the RCA and the assets held in the RCA trust lost value, you should complete Option B and Step 4 on page 1 of the T3-RCA tax return to elect under subsection 207.5(2) to recover all the refundable tax on hand.

If you are **not** electing under subsection 207.5(2), complete Option A. Complete the calculation on lines 17 and 22 to 24 to determine the amount of refundable tax on hand (after distributions) at the end of the tax year.

Option A – Complete this option if, during the tax year:

- you **did not make any distributions** out of the RCA trust, or you **did not return any contributions** to the employer, and you **do not want to elect** under subsection 207.5(2) to recover a refund of refundable tax on hand held for this RCA trust; or
- you **distributed amounts** out of the RCA trust (including amounts returned to the employer), but **some property remains** in the RCA trust at the end of the tax year, and you are **entitled to recover a refund** of some of the refundable tax on hand held for this RCA trust.

In this case, the refundable tax on hand is the amount on line 24. Enter this amount on line 25, and transfer it to line 01 of Step 5 on page 1 of the tax return. This is the refundable tax on hand at the end of the tax year.

Option B – Complete this option if, during the tax year, all of the following apply:

- you distributed all the funds out of the RCA trust;
- no property remains in the RCA trust at the end of the tax year; and
- you are entitled to recover a refund of all the refundable tax on hand held for this RCA trust.

In this case, enter the amount from line 24 on line 26, and enter on line 27 the amount that you will distribute when you receive the current-year refund. To support the amount on line 27, attach a copy of the T4A-RCA or NR4 slips for the next tax year to page 3 of the T3-RCA tax return.

Complete the calculations on lines 28 to 29.

If the amount on line 29 is a positive amount, complete and sign the election in Step 4 on page 1 to recover a refund of all the refundable tax on hand held for this RCA.

If the amount on line 29 is "0," transfer "0" to line 01 of Step 5 on page 1 of the tax return. You do not have to complete the election in Step 4.

Step 4 – Election under subsection 207.5(2) to recover refundable tax on hand

Note

Steps 4, 5, and 6 are on page 1 of the T3-RCA tax return.

In some cases, you may benefit from making an election so that the refundable tax on hand at the end of the tax year equals the adjusted amount of the fair market value (FMV) of all the property held in the RCA trust at the end of the tax year.

To make this election, you have to complete and sign Step 4 on page 1 of the T3-RCA tax return. You can make this election for one or more tax years. If the custodian does not sign the election, we will **not** refund any amount. The custodian's signature must be an original signature for us to process the tax return.

If there are not enough spaces for all the debt obligations on lines 02 and 03, attach a separate list. If you enter amounts for debt obligations or shares listed on a prescribed stock exchange (on line 05), attach details of the amounts to page 3 of the T3-RCA tax return.

Note

You can make this election **only** if all of the property in the RCA trust at the end of the tax year (other than a right to claim a refund under subsections 164(1) or 207.7(2)) consists of cash, debt obligations, shares listed on a prescribed stock exchange, or any combination of these.

Step 5 – Part XI.3 tax payable or refundable

Complete Step 5 to determine the amount of refundable tax owing or overpaid.

If the amount on line 10 is negative, you are entitled to a refund. Enter that amount on line 11.

If the amount on line 10 is positive, you have a balance owing. Enter that amount on line 12. You have to send your payment for any refundable tax owing along with the completed T3-RCA tax return. The amount shown on line 12 is due no later than 90 days after the end of the tax year for which you are filing the tax return. You may have to pay a penalty for late payment if you have a balance owing. For more information, see the section called "Penalty for filing a return late" on page 18.

Make your remittance payable to the Receiver General for Canada and write your name, the CS Custodian account number, and "Form T3-RCA" on the back of your payment.

Step 6 – Certification

The custodian's authorized representative has to complete and sign this area.

Language of correspondence?

Tick (✓) the English or French box to indicate in which official language you want to receive correspondence.

Filing the T3-RCA tax return

Send the completed return no later than 90 days after the end of the RCA's tax year, together with all required attachments and payment for any balance owing, to the RCA Unit, Winnipeg Tax Centre, 66 Stapon Road,

Winnipeg MB R3C 3M2. Send this tax return separately from any other return.

Keep a photocopy for your records.

Applying for a remittance account number for income tax withheld on distributions ▲

When you are ready to make the first distribution out of the RCA trust to a beneficiary, you should apply for a remittance account number by completing Form T735, *Application for a Remittance Number for Tax Withheld From a Retirement Compensation Arrangement (RCA)*. When we receive this form, we will issue you a remittance account number. This will be a Business Number (BN) that will apply only to this RCA trust.

Note

If you indicate on Form T735 that you will make payments out of the RCA trust to a non-resident, we will issue a non-resident tax deduction remittance account number beginning with the letters **NRQ**. Use this number as an identifier for reporting payments you make to non-residents and for the income tax you withhold from these payments. For more information about the reporting requirements, see the section called "Reporting distributions made to non-residents of Canada" on page 16.

Completing Form T735, *Application for a Remittance Number for Tax Withheld From a Retirement Compensation Arrangement (RCA)* ▲

The custodian should complete Sections A and B and the Certification area of Form T735.

Note ▲

A person who bought an interest in an RCA should complete Sections A and C and the Certification area of Form T735.

Section A ▲

If you are a custodian, to whom will you make distributions out of the RCA trust?

Tick (✓) the appropriate box.

If you bought an interest in an RCA, from whom did you buy the interest? ▲

Tick (✓) the appropriate box.

If you are a custodian, you have to complete Section B.

Section B – Custodian

Line 1 – RCA trust's name

Enter the full name of the RCA trust.

Custodian account number

Enter the CS Custodian account number we assigned to the custodian.

Line 2 – Custodian's name

Enter the custodian's full name.

Line 3 – Custodian's address

Enter the custodian's complete address.

Line 4 – Name and telephone number of custodian's representative

Enter the name of the person we can contact about this application and that person's area code and telephone number.

Line 5 – Address where books and records are kept

Tick (✓) the box if the address is the same as the address on line 3, or enter the address where the books and records of the RCA trust are kept.

Line 6 – If you have made distributions out of the RCA trust

Give the details of distributions as requested in this area. If there is not enough space, use a separate detailed list to give the additional information.

Line 7 – If you have not made any distributions out of the RCA trust

Give the date when you expect to make distributions.

Language of correspondence

Tick (✓) the appropriate box.

If you bought an interest in an RCA, you have to complete Section C. ▲

Section C – Person who bought an interest in an RCA ▲

Line 1 – RCA trust's name

Enter the full name of the RCA trust.

Line 2 – Name and telephone number of person who bought an interest in the RCA

Enter the full name of the person who bought an interest in the RCA, and the area code and telephone number where we can contact that person about this application.

Line 3 – Address of the person who bought an interest in the RCA

Enter the complete address of the person who bought an interest in the RCA.

Line 4 – Address where books and records are kept

Tick (✓) the box if the address is the same as the address on line 3, or enter the address where the books and records of the RCA trust are kept.

Line 5 – When did you buy the interest in the RCA?

Give the date when you bought the interest in the RCA.

What was the purchase price for the interest in the RCA?

Give the amount you paid for the interest in the RCA.

Language of correspondence

Tick (✓) the appropriate box.

Certification ▲

The custodian's authorized representative or the person who bought an interest in the RCA, as the case may be, has to complete and sign this area.

Filing Form T735 ▲

Send the completed original of Form T735 to the RCA Unit, Winnipeg Tax Centre, 66 Stapon Road, Winnipeg MB R3C 3M2.

Keep a photocopy for your records.

Withholding and remitting income tax on distributions ▲

Withholding income tax on distributions

As a custodian, you have to withhold income tax on any distributions you make out of the RCA trust to beneficiaries. This applies to periodic payments and lump-sum payments. You usually have to remit this tax no later than the 15th day following the month in which you withheld it.

To calculate the amount of income tax you have to deduct and to determine when you have to remit the income tax, see guide T4001, *Employers' Guide – Payroll Deductions and Remittances*, and the T4032, *Payroll Deductions Tables*.

If you do not deduct the required tax from such payments (including payments made to non-residents), you may be subject to a penalty. See the section called "Income tax on distributions" on page 17.

If you buy an annuity contract for the beneficiary, we consider that the amount paid to buy the contract is a taxable distribution to the beneficiary out of the RCA trust. The full amount is taxable in the year you buy the contract, and you have to withhold income tax from this amount.

If you distributed an amount out of the RCA trust to a non-resident, see the section called "Distributions to non-residents of Canada" on page 16.

Note ▲

If you bought an interest in an RCA from a resident of Canada, you have to withhold tax at a rate of 50% of the purchase price.

If you bought an interest from a non-resident, see the section called "Withholding income tax on distributions made to non-residents of Canada" on page 16.

You have to file a completed Form T735 to apply for a remittance account number when you are ready to make the first distribution out of the RCA trust to a beneficiary. For more information, see the section called "Applying for a remittance account number for income tax withheld on distributions" on page 12.

Remitting income tax withheld on distributions made out of the RCA trust

You have to remit the income tax you withheld on distributions no later than the 15th day of the month following the month in which you withheld it. Use Form PD7A, *Remittance Form – Statement of Account for Current Source Deductions*, to make the remittance payments through any financial institution in Canada or directly to any tax centre.

Remitting income tax withheld on distributions before you receive an account number

If you have withheld income tax as required but have not received a remittance account number or a non-resident tax deduction remittance account number, or if you have filed Form T735 but have not received Form PD7A in time for your next payment, do not delay making the payment.

Send it to the RCA Unit, Winnipeg Tax Centre, 66 Stapon Road, Winnipeg MB R3C 3M2, with a note stating that you did not receive Form PD7A. In your note, you should also give the following information:

- your name and address;
- the full name of the RCA trust;
- if you are the custodian, the CS Custodian account number; and
- the month during which the tax was withheld.

When we receive this information, we will send you Form T735 with an assigned remittance account number. When you get this form, complete it and send it to the RCA Unit at the Winnipeg Tax Centre. Once we process the payment, we will send you a receipt and a blank Form PD7A.

Filing a T4A-RCA information return to report distributions made out of an RCA trust ▲

A custodian who makes a distribution out of an RCA trust has to file a T4A-RCA information return. This return consists of a T4A-RCA Summary, *Information Return of Distributions From a Retirement Compensation Arrangement (RCA)*, and the related T4A-RCA slips, *Statement of Distributions From a Retirement Compensation Arrangement (RCA)*.

Note ▲

If you bought an interest in an RCA, you have to file a T4A-RCA information return to report the purchase.

You have to file the T4A-RCA information return no later than the last day of February following the year you made the distributions or bought the interest, as the case may be.

Completing the T4A-RCA slip, *Statement of Distributions From a Retirement Compensation Arrangement (RCA)* ▲

The T4A-RCA slip is available as a single-page form for laser and ink jet printers, and as a .pdf fillable version. You can get these forms from our Web site.

You have to complete a T4A-RCA slip for each beneficiary who received a payment, or for each person who sold an interest in an RCA, as the case may be. In some cases, you have to prepare a T4A-RCA slip for amounts the RCA trust refunded to the employer or the employee.

You have to give the following information on the T4A-RCA slips.

Year ▲

Enter the four-digit calendar year for which you are preparing the T4A-RCA slip.

Box 12 – Refund of employer contributions

Enter the amount, if any, that the RCA trust refunded to the employer. Include a transfer of funds from this RCA trust (the **transferring plan**) to another RCA trust (the **receiving plan**) if the custodian of the receiving plan is a

non-resident, or if the receiving plan is a foreign plan considered under subsection 207.6(5) to be an RCA for Canadian residents participating in the plan.

Note

Do **not** include in box 12 any transfer of funds made **directly** from a transferring plan to a receiving plan if the custodian of the receiving plan is **not** a non-resident **and** the receiving plan is **not** a foreign plan considered under subsection 207.6(5) to be an RCA for Canadian residents participating in the plan.

For more information about transfers between RCA trusts, see the section called “Transferring amounts between RCA trusts” on page 16.

Box 14 – Refund of employee contributions

Enter the amount, if any, that the RCA trust refunded to the employee, including voluntary employee contributions made to the RCA.

Box 16 – Distributions

Enter the amount you paid to the beneficiary as benefits from the RCA trust. Do not include a refund of employee contributions, or amounts paid to purchase an interest in the RCA.

Box 18 – Selling price of an interest in the RCA ▲

If you bought an interest in the RCA, enter the amount you paid to the recipient for the interest in the RCA (the purchase price before you withheld 50% tax).

Box 20 – Other amounts ▲

Complete box 20 if the RCA trust:

- disposed of property for consideration less than the fair market value (FMV) of the property;
- acquired property for consideration greater than the FMV of the property; or
- permitted the RCA trust’s property to be used for consideration less than the FMV of such use.

Under subsection 56(11), the amount to include in box 20 is the difference between the consideration and the FMV.

Box 22 – Income tax deducted ▲

Enter the amount of income tax deducted from distributions, or from the purchase price of the interest, as the case may be.

Box 24 – Social insurance number ▲

Enter the recipient’s social insurance number.

Recipient’s name and address ▲

Enter the last name in capital letters, followed by the first name and initial, and the complete address of either the individual who received an amount from the RCA, or of the person who sold an interest in an RCA to another person, as the case may be.

Name of custodian, or person who bought an interest in the RCA ▲

Enter the full name of the custodian or of the person who bought an interest in the RCA, as the case may be.

Box 61 – Business Number ▲

Enter the custodian's Business Number (BN), or the BN of the person who bought an interest in the RCA, as the case may be. The custodian's BN has to be the same as it is on your Form PD7A receipt.

Completing the T4A-RCA Summary, Information Return of Distributions From a Retirement Compensation Arrangement (RCA) ▲

You have to give the following information on the T4A-RCA Summary.

Year ▲

Enter the four-digit calendar year for which you are preparing the T4A-RCA information return.

Business Number ▲

Enter the custodian's Business Number (BN), or the BN of the person who bought an interest in the RCA, as the case may be.

Corresponding Custodian account number

Enter the Corresponding Custodian account number. This is a nine-character account number consisting of two alphabetic characters (CS) followed by seven numeric characters.

Name and address of custodian, or person who bought an interest in the RCA ▲

Enter the full name and complete address of the custodian, or of the person who bought an interest in the RCA, as the case may be.

Note

The custodian's name and BN have to be the same as on your Form PD7A receipt.

Name of the RCA trust ▲

Enter the full name of the RCA trust.

Line 88 – Total number of T4A-RCA slips filed ▲

Enter the number of T4A-RCA slips filed with this T4A-RCA Summary.

Line 12 – Refund of employer contributions

Enter the total of all amounts shown in box 12 of all T4A-RCA slips filed with this summary.

Line 14 – Refund of employee contributions

Enter the total of all amounts shown in box 14 of all T4A-RCA slips filed with this summary.

Line 16 – Distributions

Enter the total of all amounts shown in box 16 of all T4A-RCA slips filed with this summary.

Line 18 – Selling price of an interest in the RCA ▲

Enter the total of all amounts shown in box 18 of all T4A-RCA slips filed with this summary.

Line 20 – Other amounts ▲

Enter the total of all amounts shown in box 20 of all T4A-RCA slips filed with this summary.

Line 22 – Income tax deducted ▲

Enter the total of all amounts shown in box 22 of all T4A-RCA slips filed with this summary.

Line 82 – Remittances ▲

Enter the total amount of tax you remitted to us. You can get this amount from your most recent Form PD7A receipt.

Difference ▲

Subtract line 82 from line 22.

If this amount is positive, it is a balance owing. Enter the result on line 86.

If the amount is negative, it is an overpayment. Enter the result on line 84.

Line 84 – Overpayment ▲

Enter the amount of tax overpaid. Generally, if the difference is \$2 or less, you will not receive a refund.

Line 86 – Balance owing ▲

Enter the amount of tax owing. Generally, if the difference is \$2 or less, you do not have to make a payment.

You may be subject to a penalty for late payment if you have a balance owing. See Chapter 3 for details.

Amount enclosed ▲

Enter the amount of the payment you are remitting with this information return.

Line 76 – Person to contact about this return ▲

Enter the name of the person we can contact about this information return.

Line 78 – Area code and telephone number ▲

Enter the area code and telephone number of the person we can contact about this information return.

Certification ▲

An authorized officer of the custodian, or the person who bought an interest in the RCA, has to complete and sign this area.

Distributing the slips and summary ▲

Attach two copies of every T4A-RCA slip, to the completed original and a photocopy of the T4A-RCA Summary, and send them with your payment for any balance owing to the RCA Unit, Winnipeg Tax Centre, 66 Stapon Road, Winnipeg MB R3C 3M2, no later than the last day of February following the calendar year to which the T4A-RCA information return relates.

Send two copies of every T4A-RCA slip, to the recipient no later than the last day of February following the calendar year to which the information return relates.

If you are a custodian, attach one copy of every T4A-RCA slip to your T3-RCA tax return.

Keep a photocopy of the completed T4A-RCA Summary and one copy of every T4A-RCA slip for your records.

Electronic fillable slips

If you use the .pdf fillable T4A-RCA slip for ink-jet and laser printers, you can print them on plain white paper. You can also make photocopies to distribute to the recipients. We now accept copies of our forms, not only the original forms that are pre-printed.

Note

You can send recipients an electronic copy of their T4A-RCA slips. However, each recipient has to consent in writing (in a letter or by email) to receive the slips electronically.

If you file the T4A-RCA information return late or distribute the information slips late, you may be subject to a late-filing penalty. See Chapter 3 for details.

Distributions to non-residents of Canada ▲

The provisions of Part XIII of the *Income Tax Act* impose a withholding tax on certain amounts paid or credited to persons not resident in Canada. For a general description of Part XIII tax, see Information Circular 77-16, *Non-Resident Income Tax*.

Withholding income tax on distributions made to non-residents of Canada ▲

As a custodian, you have to withhold income tax on any distributions you make out of the RCA trust to non-resident beneficiaries. This applies to periodic payments and lump-sum payments.

The income tax is 25% of the amount you paid or credited to the non-resident. However, if the payments qualify as “periodic pension payments”, the provisions of an income tax convention or agreement between Canada and another country may provide for a reduced rate of Part XIII tax on the payments. For more information about non-resident income tax, the treaty countries and treaty rates, see the following publications.

T4061 *Non-Resident Withholding Tax Guide*

IC 76-12 *Applicable rate of Part XIII tax on amounts paid or credited to persons in countries with which Canada has a tax convention*

IC 77-16 *Non-resident income tax*

Note ▲

If you bought an interest in an RCA from a non-resident, you have to withhold income tax at a rate of 25% of the price you paid.

Remitting income tax withheld on distributions made to non-residents of Canada ▲

Use the non-resident tax remittance voucher of Form NR76, *Non-Resident Tax – Statement of Account*, to remit the income tax you withheld under Part XIII of the Act. You have to remit this tax no later than the 15th day of the month following the month in which you withheld it. For more information on form NR76 and for remitting the non-resident withholdings, see guide T4061, *Non-Resident Withholding Tax Guide*.

Reporting distributions made to non-residents of Canada ▲

If you are a custodian who distributed an amount out of the RCA trust to a non-resident, you have to file an NR4 information return.

Note ▲

If you bought an interest in an RCA from a non-resident, you have to file an NR4 information return to report the purchase.

The NR4 information return consists of the NR4 Summary, *Return of Amounts Paid or Credited to Non-Residents of Canada*, and the NR4 slip, *Statement of Amounts Paid or Credited to Non-Residents of Canada*. You have to file this return no later than March 31 following the year you made the distribution or bought the interest. If you discontinue your business, you have to file this return no later than 30 days after the end of the business or activity.

For more information on completing the NR4 information return, see guide T4061, *Non-Resident Withholding Tax Guide*.

Transferring amounts between RCA trusts

Subsection 207.6(7) provides for the tax-free transfer of amounts between RCA trusts if a lump-sum amount is transferred **directly** from one RCA trust (the **transferring plan**) to another RCA trust (the **receiving plan**).

If you transferred funds to another RCA trust, you should send us a copy of the letter of agreement between the two RCA trusts providing the following information:

- each member’s written request to transfer, including the name, complete address, and social insurance number of each member whose funds were transferred;
- the transferring RCA trust’s full name, complete address, and custodian’s account number;
- the receiving RCA trust’s full name, complete address, and custodian’s account number; and
- the amount transferred, supported by a letter to us requesting that the transfer be made.

This letter will authorize us to make the transfer of the related refundable tax on hand from the transferring plan’s account to the receiving plan’s account.

If you received funds from another RCA trust, you should receive a copy of the letter of agreement between the two

RCA trusts providing the above information. When you file your T3-RCA tax return, attach a copy of the letter to authorize us to make the transfer of the related refundable tax on hand to your RCA trust's account.

This tax-free transfer of funds does **not** apply if the custodian of the receiving plan is a non-resident or if the receiving plan is a foreign plan considered under subsection 207.6(5) to be an RCA for Canadian residents participating in the plan.

Note

Amounts refunded to the employer that are later transferred to an RCA trust are **not** tax-free transfers. These amounts are reported in box 12 of a T4A-RCA slip as a refund of employer contributions. See the section called "Completing the T4A-RCA Summary, *Information Return of Distributions From a Retirement Compensation Arrangement (RCA)*" on page 15.

Chapter 3 – Penalties and interest

Consequences for failing to comply with withholding, remitting, or filing requirements

An employer, a custodian, or a person who bought an interest in an RCA has to meet the terms of the withholding, remitting, and filing requirements. If the employer, custodian, or person who bought an interest in an RCA fails to comply, we may apply penalties.

Penalties for failing to comply with filing requirements

Employer, custodian, or person who bought an interest in an RCA

An employer, a custodian, or a person who bought an interest in an RCA who does not comply with the filing requirements may be prosecuted. If convicted, he or she is liable to penalties that may include:

- a fine of \$1,000 to \$25,000; or
- both the fine described above and imprisonment for up to 12 months.

Penalties and interest for failing to withhold tax

Refundable tax on contributions

Employer

If an employer does not withhold the 50% refundable tax on contributions made to a custodian, the employer is required to remit to us an amount equal to the amount of the contribution made to the custodian. The amount the employer remits is deductible by the employer when calculating business income and is considered a payment on account of refundable tax.

Income tax on distributions

Custodian or person who bought an interest in an RCA

A custodian who made distributions out of an RCA trust or a person who made a payment to buy an interest in an RCA trust has to withhold tax from those payments. If the person did not deduct or withhold the required tax from such payments (including payments made to non-residents) they will be subject to a penalty. The penalty for not deducting or withholding the required tax is:

- a penalty of 10% of the amount that should have been withheld; or
- a penalty of 20% of the amount that should have been withheld if the custodian or the person who bought an interest in the RCA has already been assessed a penalty during the year for failing to withhold the required tax on distributions, and if the second failure was made knowingly or under circumstances amounting to gross negligence.

Interest

Employer, custodian, or person who bought an interest in an RCA

We charge compound interest, calculated daily at the prescribed rate, on the amount that should have been withheld on contributions and distributions and on the penalty. We calculate the interest from the 15th day following the month in which the tax should have been withheld to the date of the payment.

Penalty for remitting late or failing to remit the refundable tax

Employer, custodian, or person who bought an interest in an RCA

Both the custodian and employer may have to remit refundable tax in a year. The penalty for remitting late or failing to remit the refundable tax is:

- 10% of the refundable tax; or
- 20% of the refundable tax if the custodian or employer has already been assessed a penalty during the year for failing to remit the refundable tax as required, and if the second failure was made knowingly or under circumstances amounting to gross negligence.

We charge compound interest, calculated daily at the prescribed rate, on both the amount that was not remitted on time and on the penalty.

Note

We apply penalties for late or deficient remittances on amounts of more than \$500. This \$500 threshold does not apply:

- to remittances required under Part XIII of the Act (non-residents); or
- if the person who is required to remit such an amount knowingly or under circumstances amounting to gross negligence delayed remitting or knowingly or under circumstances amounting to gross negligence remitted less than the required amount.

Penalty for filing a return late ▲

Custodian

Failure to file a return of income

If the custodian files a T3-RCA tax return late, a penalty applies. The penalty is 5% of the unpaid tax owing on the filing deadline plus 1% of this unpaid tax for each complete month that the tax return is late, up to a maximum of 12 months.

Repeated failure to file a return of income

We will charge an even larger penalty if we issued a demand to file the T3-RCA tax return, and if we assessed a late-filing penalty in any of the previous three tax years. In this case, the penalty is 10% of the unpaid tax when the tax return was due, plus 2% of this unpaid tax for each complete month that the tax return is late, up to a maximum of 20 months.

Employer, custodian, or person who bought an interest in an RCA ▲

Failure to file an information return ▲

If you file either the T737-RCA information return or the T4A-RCA information return late, the RCA is subject to a late-filing penalty. The penalty for each information return filed late is \$25 a day, with a minimum penalty of \$100 to a maximum of \$2,500.

Waiving penalties and interest ▲

Employer, custodian, or person who bought an interest in an RCA ▲

We may cancel, reduce, or waive any late-filing penalties and interest if you file an information return late, or if you distribute information slips to recipients late, because of certain circumstances beyond your control. If this occurs, include a letter with the information return giving the reasons why the information return is late. For more information, see Information Circular 92-2, *Guidelines for the Cancellation and Waiver of Interest and Penalties*.

If you do not give a social insurance number (SIN) or other information ▲

Employer, custodian, or person who bought an interest in an RCA ▲

We can charge a penalty if information is missing on an information return. You have to make a reasonable effort to get the necessary information to complete the information return.

You may be subject to a \$100 penalty each time a SIN is not shown on an information slip unless you have made a reasonable effort to get the SIN. We will not charge this penalty if the individual has applied for a SIN but has not received it when you file the information return.

An individual has to give his or her SIN, on request, to the person who is preparing an information slip for him or her. The individual is subject to a penalty of \$100 for each failure to comply.

An individual who does not have a SIN has to apply for one at any Human Resources and Social Development Canada office, no later than 15 days after the request. When the individual receives a SIN, he or she has 15 days to give it to the person preparing the information slip.

A person under the age of 18 years at the end of the tax year does not need a SIN if his or her total income for the year is \$2,500 or less.

For more information, see Information Circular 82-2, *Social Insurance Number Legislation That Relates to the Preparation of Information Slips*.

Use of the SIN ▲

Employer, custodian, or person who bought an interest in an RCA ▲

Any person who prepares an information return cannot knowingly use, communicate, or let an individual's SIN be communicated for any reason other than the reason for which the individual provided it, unless it is required or authorized by law.

Information return preparers and their employees, officers, or agents who use an individual's SIN for unauthorized purposes are guilty of an offence and are liable to a fine up to \$5,000, imprisonment up to 12 months, or both.

Appendix 1 – Person who bought an interest in an RCA

A person who bought an interest in an RCA has to undertake many of the same responsibilities that a custodian does. The following rules apply if a person bought an interest in an RCA. ▲

Topic	Information and references
Responsibilities of a person who bought an interest in an RCA	<ul style="list-style-type: none"> ■ Withholding and remitting tax ■ Filing Form T735 to apply for a remittance account number for tax withheld from the purchase price of an interest in an RCA ■ Filing a T4A-RCA information return to report the purchase of an interest in an RCA ■ Filing an NR4 information return to report payments made to non-residents who sold an interest in an RCA ■ Reporting amounts received from an RCA
Withholding and remitting tax	<p>You have to withhold tax at a rate of 50% of the purchase price of the interest in the RCA (25% if you bought the interest from a non-resident). For more information, see the sections called “Withholding and remitting income tax on distributions” on page 13 and “Withholding income tax on distributions made to non-residents of Canada” on page 16.</p> <p>You have to send the tax to us no later than the 15th day following the month in which you withheld it. If you do not withhold this tax or if you remit the tax late, we may apply penalties. For more information about the penalties, see the section called “Income tax on distributions” on page 17.</p>
Applying for a remittance account number for tax withheld	<p>Complete Form T735 to apply for a remittance account number for tax withheld for an RCA. For more information, see the section called “Completing Form T735, <i>Application for a Remittance Number for Tax Withheld From a Retirement Compensation Arrangement (RCA)</i>” on page 12.</p>
Filing a T4A-RCA information return to report the purchase of an interest in an RCA	<p>You have to file a T4A-RCA information return to report the purchase and to provide the seller with a tax information slip. This return consists of a T4A-RCA Summary and the related T4A-RCA slips. For more information, see the section called “Filing a T4A-RCA information return to report distributions made out of an RCA trust” on page 14.</p> <p>You have to file the information return no later than the last day of February after the year when you bought the interest.</p>
Filing a T4A-RCA information return to report distributions made out of an RCA	<p>For details on how to complete this information return, see the sections called “Completing the T4A-RCA slip, <i>Statement of Distributions From a Retirement Compensation Arrangement (RCA)</i>” on page 14, and “Completing the T4A-RCA Summary, <i>Information Return of Distributions From a Retirement Compensation Arrangement (RCA)</i>” on page 15. If you file the information return late, we may apply the late-filing penalties discussed in the section called “Penalty for remitting late or failing to remit the refundable tax” on page 17.</p>
Filing an NR4 information return to report payments made to non-residents	<p>If you bought an interest in an RCA from a non-resident, you have to file an NR4 information return.</p> <p>This return consists of the NR4 Summary and the related NR4 slips. For more information, see the section called “Reporting distributions made to non-residents of Canada” on page 16.</p> <p>You have to file this return no later than March 31 following the year when you bought the interest.</p>
Failure to comply	<p>We may apply penalties if you fail to withhold or remit tax, file any of the information returns late, or remit the tax late. See Chapter 3 for more information.</p>
Reporting amounts received from an RCA trust	<p>You have to report amounts you received from the RCA trust. The custodian of the RCA trust will issue a T4A-RCA slip to you for any distributions made to you.</p>
Selling an interest in an RCA	<p>If you dispose of an interest in an RCA, you have to include the amount you received in your income. The buyer will issue you a T4A-RCA slip for tax purposes. You may be entitled to claim a deduction for amounts received from the disposition of an interest in the RCA. See the instructions under box 18 on the back of the T4A-RCA slip.</p>
Claiming deductions for amounts received from an RCA	<p>You may be entitled to claim a deduction for amounts received from an RCA. See “Additional information” on the back of the T4A-RCA slip.</p>

Appendix 2 – Additional topics

Topic	Information and <i>Income Tax Act</i> references
Amalgamated corporations	We consider that an amalgamated corporation has made contributions to any RCA to which contributions were previously made by any of the predecessor corporations. Paragraph 87(2)(j.3)
Are contributions that an employee made to an RCA deductible?	<p>Contributions that an employee made to an RCA are deductible to the extent that they meet the provisions of paragraph 8(1)(m.2).</p> <p>That paragraph allows an employee to deduct contributions made to a pension plan that is an RCA if:</p> <ul style="list-style-type: none"> ■ the employee was required under the terms of his or her employment to contribute the amount, and the total amount contributed in the year by the employee is not more than the total amount contributed in the year by the employer (or any other person) for the employee; or ■ the amount was contributed to a plan that was a registered pension plan but the plan's registration was revoked, and the amount was contributed under the terms of that plan. <p>In both cases, the contributions have to be made to a custodian who is a resident of Canada.</p> <p>If the contribution the employee made is not deductible under paragraph 8(1)(m.2), the employee may be eligible to deduct an amount in the year he or she receives an amount from the RCA. For more information, see "Additional information" on the back of the T4A-RCA slip.</p>
Definition of an RCA	Retirement compensation arrangement (RCA) is defined in subsection 248(1) . The definition also covers the circumstances under which we consider an arrangement to be an RCA and includes a list of plans, arrangements, trusts, and policies that are excluded from the definition of an RCA.
Definition of an RCA trust	RCA trust is defined in subsection 207.5(1) as a trust governed by an RCA. Subsection 207.6(1) provides special rules that apply when an RCA is established without the creation of a trust.
Distribution of property by an RCA trust	Rules for the distribution of property by an RCA trust are in section 107.2 . Generally, the RCA trust must recognize any gain or loss based on the fair market value of the property when it is distributed. We consider that the RCA trust has made a distribution equal to the fair market value of the property, and that the recipient has received the property at that fair market value.
Employee benefit plan	<p>We consider that the custodian of an employee benefit plan has made a contribution to an RCA when, at any time, the employee benefit plan becomes an RCA due to a change of custodian, or if the custodian stops carrying on business through a fixed place of business in Canada, or if the custodian is no longer licensed or otherwise authorized under the laws of Canada or of a province or territory to offer services as a trustee.</p> <p>Under subsection 207.6(4), we consider the contribution to be made right after that time and to be equal to the fair market value of all the properties of the employee benefit plan. As a result, under section 153, the custodian has to remit to the Receiver General for Canada 50% of the amount that we consider to be a contribution to an RCA. An employer who made non-deductible contributions to the plan while it was an employee benefit plan may also get a deduction under section 32.1 in calculating income for the contribution.</p>
Life insurance policies	<p>Subsection 207.6(2) provides special rules when an interest in a life insurance policy (including an annuity) is acquired to meet an employer's obligation to provide benefits that are received or enjoyed by an employee on, after, or in view of:</p> <ul style="list-style-type: none"> ■ any substantial change in the services rendered by the employee; ■ the retirement of the employee; or ■ the loss of an office or employment of the employee. <p>Under this subsection, we consider:</p> <ul style="list-style-type: none"> ■ the person or partnership who acquires the interest in the policy to be the custodian of an RCA; ■ the interest in the life insurance policy to be the "subject property" of the arrangement; ■ that twice the amount of the premiums paid under the policy, or the repayment of a policy loan, are contributions to the arrangement; and ■ that payments under the policy, including a policy loan, and refunds of refundable tax are distributions by the arrangement. <p>The person who buys the interest in the policy has to withhold tax from any payment toward the policy, file the required returns, and pay the special refundable tax.</p> <p>The special rules apply when the plan or arrangement is not otherwise considered to be an RCA and is not excluded by any of paragraphs (a) to (l), and (n) under the definition of retirement compensation arrangement in subsection 248(1).</p>

Topic	Information and <i>Income Tax Act</i> references
Parent corporation	<p>We consider that a parent corporation has made contributions to any RCA to which contributions were previously made by any subsidiary wound up into the parent corporation.</p> <p>Paragraph 88(1)(e.2)</p>
Personal services corporation	<p>Subsection 207.6(3) provides rules that apply to an incorporated employee when:</p> <ul style="list-style-type: none"> ■ a personal services corporation or its employee enters into an arrangement with a person or partnership (referred to as the employer) to whom the corporation is providing services; and ■ benefits are to be provided under the arrangement on, after, for any substantial change in, or for the end of, the services provided to the employer by the corporation or by the corporation's employee. <p>In these circumstances, the following rules apply:</p> <ul style="list-style-type: none"> ■ an employer-employee relationship is considered to exist between the employer and the personal service corporation; and ■ the distributions made to a person under the arrangement are considered to be benefits received or enjoyed by that person on, after, or for a substantial change in the services provided by the corporation. <p>In this case, we may consider that the plan or arrangement constitutes an RCA as defined in subsection 248(1), depending on its terms.</p>
Refusal to register a pension plan	<p>A pension plan submitted for registration under the Act reverts to its status as an RCA if we refuse to register it as a registered pension plan.</p> <p>Subsection 147.1(3)</p>
Resident's arrangement	<p>The definition of an RCA excludes a retirement plan (other than an athlete's plan) kept mainly for the benefit of non-residents for services provided outside Canada. However, special rules apply if contributions are made to a foreign plan for employees resident in Canada. The foreign plan is considered to be an RCA and any contributions made to it (and the investment income derived from these contributions) are subject to the refundable RCA tax.</p> <p>These rules do not apply to contributions made for an employee resident in Canada if the employee was:</p> <ul style="list-style-type: none"> ■ a member of the foreign plan before becoming a Canadian resident; or ■ a resident of Canada for less than 60 of the last 72 months. <p>Subsections 207.6(5) and (5.1)</p>

Appendix 3 – Income Tax Act references

You may find the following references helpful when dealing with RCAs. References are to the *Income Tax Act*, except where the reference follows the letters “Reg.,” in which case the reference is to the *Income Tax Regulations*.

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Income from a business or property – Employer		
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Contacting us

Once you file an information return, the information on it becomes confidential. For this reason, we follow specific rules before giving out information about an RCA. We can give information to an authorized representative, who could be an accountant, lawyer, or tax preparer acting for the employer or the custodian of the RCA trust.

Getting information in person

If you visit us, we will ask for:

- personal identification, such as one piece of signed identification with your picture or two pieces of signed identification; and
- employer or RCA trust identification, such as a copy of the information return, a copy of the *Notice of Assessment* (if we issued one), or other information about the contents of the information return.

If a representative visits us, we will ask for the same identification. We will also ask for evidence that this person is an authorized representative of the employer or RCA trust.

Some of the tax information is readily available and we can give it to you as soon as we confirm that you are authorized to receive it. However, making an appointment will ensure that the information you need will be available when you visit.

Getting information by telephone

If you call us, we will ask for the following information:

- your name, address, and position or title; and
- employer or RCA trust information that we can verify from the documents we have on file. This will allow us to give you the information you need.

If a representative calls us, we will ask for evidence that this person is authorized by the employer or the custodian of the RCA trust.

If the information you need is not readily available, we may have to call you back. At that time, we will ask you for information we can verify before giving you the information.

Giving or cancelling an authorization

You can authorize a representative, or cancel an authorization already given, by writing to us or by sending us a completed Form T1013, *Authorizing or Cancelling a Representative*, or through **My account** on our Web site at www.cra.gc.ca/myaccount.

The authorization or cancellation of an authorization should include the following information:

- the name, address, and identification or Business Number of the employer or RCA trust;
- your representative's name and telephone number—you only have to give the business name of a firm, unless the authorization or cancellation applies to a certain individual;
- the tax year or years to which the authorization, or cancellation of the authorization, applies; and
- your signature and title as the authorized signing person, your telephone number, and the date.

You have to complete a separate written authorization or consent form for each representative appointed or cancelled for a particular tax year or years.

Sending information by fax

Please use fax services for correspondence only. Because this service relies on the telephone network, we are not responsible for misdirected, incomplete, or unclear documents.

Problem Resolution Program

We are always looking at ways to make it easier for you to file your information returns and to resolve any problems you may have.

We deal with most questions and concerns through our usual channels. If you have a problem, call our Business Enquiries at **1-800-959-5525**, or write to your tax services office. However, if your problem is still not resolved to your satisfaction, you can contact a Problem Resolution Program co-ordinator.

To get the telephone number of the Problem Resolution Program co-ordinator at your tax services office, see the government pages of your telephone book.