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# Lifelong Learning Plan (LLP)

Includes Form RC96

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# 1999



## Before You Start

### Is this guide for you?

Use this guide if you want information about using the Lifelong Learning Plan (LLP).

Under proposed legislation, the LLP lets you withdraw up to \$10,000 a year from your registered retirement savings plans (RRSPs) after 1998 to finance full-time training or education for you or your spouse. If the student meets certain disability conditions, the training or education can be on a part-time basis. As long as you meet the LLP conditions every year, you can withdraw amounts from your RRSPs for up to four years for this purpose. You cannot withdraw more than \$20,000 in total. You do not have to include the withdrawn amounts in your income, and the RRSP issuer will not withhold tax on these amounts.

You have to repay these withdrawals to your RRSPs over a period of no more than 10 years. Any amount that you do not repay when it is due will be included in your income for the year it was due.

#### Note

If, in the 89 days before a withdrawal, you or your spouse contributed to an RRSP under which you are the annuitant, those contributions may not be deductible for any year. For more information, see the section called "Deductions for RRSP contributions may be affected by an LLP withdrawal" on page 5.

This guide includes a glossary on page 4 that gives you a general description of the terms we use. Chapter 1 provides information about using the LLP. Chapter 2 explains how to repay withdrawals under the LLP.

### If you want to use the Lifelong Learning Plan

If you want to use the LLP, read this guide first to find out how it works and how it will affect your income. You will also need Form RC96, *Lifelong Learning Plan (LLP) – Request to Withdraw Funds From an RRSP*. This guide includes a copy of the form.

### More information

In this guide, we use plain language to explain the most common income tax situations. If you need more information after reading the guide, contact your tax services office. The address and telephone numbers are listed under "Revenue Canada" in the Government of Canada section of your telephone book.

### Internet access

If you have access, you can find most of our publications at [www.rc.gc.ca](http://www.rc.gc.ca) on the Internet.

Confidentiality procedures prevent us from providing personal tax information over the Internet. Therefore, you should direct any enquiries to your tax services office.

Visually impaired persons can get information on services available to them, and can order publications in braille or large print, or on audio cassette or computer diskette, by calling 1-800-267-1267 weekdays from 8:15 a.m. to 4:30 p.m. (Eastern Time).

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## Glossary

This glossary gives you a general description of the technical terms that we use in this guide. You may want to read it before you start.

**Designated educational institution** – A designated educational institution is a university, college, or other educational institution that qualifies for purposes of the education amount that you claim on your tax return.

**Lifelong learning plan (LLP)** – The LLP allows you to withdraw money from your RRSP to pay for your own education or your spouse's education. If certain conditions are met, you do not have to pay tax on the money when you withdraw it and you can pay the money back to your RRSP over a 10-year period.

**LLP balance** – Your LLP balance is the total of the amounts you have withdrawn from your RRSPs that meet the LLP rules minus the amounts you have repaid to your RRSPs or have included in your income.

**LLP student** – This is the individual whose education you are financing using the LLP. It can be either you or your spouse. You have to use the LLP for the same LLP student each year until the year after you have reduced your LLP balance to zero.

**LLP withdrawal** – This is an amount that you withdraw from your RRSP under the LLP rules.

**Qualifying educational program** – A qualifying educational program is an educational program that requires students to spend ten hours or more per week on courses or work in the program, and that lasts three consecutive months or more.

**Repayment year** – A repayment year is a year in which you are due to make a repayment under the LLP. You have until 60 days after the end of that year to make the repayment.

**RRSP contribution** – This is the amount you pay, in cash or in kind, when you contribute to an RRSP.

**RRSP deduction** – This refers to the amount you indicate on line 208 when you file your return.

**RRSP deduction limit** – This refers to the amount you can deduct for contributions you made to your RRSP or to your spouse's RRSP. It is based in part on your earned income (excluding transfers to your RRSP of certain types of qualifying income). It takes into consideration various factors, such as pension adjustments (PAs), past-service pension adjustments (PSPAs), pension adjustment reversals (PARs), and your unused RRSP deduction room from previous years.

**Spouse** – This term applies to a person to whom, at the time, you were legally married, or with whom, at the time, you were living common law. "Living common law" applies when you live and have a relationship with a person of the opposite sex to whom any of the following applies. He or she:

- is the natural or adoptive parent (legal or in fact) of your child;
- has been living with you for at least 12 continuous months; or

- lived with you previously for at least 12 continuous months, and you are living together again.

The above includes any period that you were separated for less than 90 days because of a breakdown in the relationship.

## Chapter 1 – Using the LLP

The Lifelong Learning Plan (LLP) lets you withdraw up to \$10,000 a year from your registered retirement savings plans (RRSPs) after 1998 to finance full-time training or education for you or your spouse. As long as you meet the LLP conditions every year, you can withdraw amounts from your RRSPs for up to four years for this purpose. You cannot withdraw more than \$20,000 in total. You do not have to include the withdrawn amounts in your income, and the RRSP issuer will not withhold tax on these amounts.

You have to repay these withdrawals to your RRSPs over a period of no more than 10 years. Any amount that you do not repay when it is due will be included in your income for the year it was due. This chapter explains the conditions you have to meet to use the LLP and how to make an LLP withdrawal.

### Who can use the LLP?

If you are the annuitant under an RRSP, you can use the LLP to withdraw funds from your RRSP for your own education or your spouse's education.

If your spouse contributed to an RRSP in your name, you are the annuitant of the RRSP, even if your spouse deducted the contributions from taxable income. If you have contributed to an RRSP in your spouse's name, your spouse is the annuitant of the RRSP even if you deducted the contributions from your income. You can only withdraw funds from an RRSP under which you are the annuitant.

#### Note

Certain types of RRSPs, such as locked-in RRSPs, do not allow you to withdraw funds from them. Your RRSP issuer can give you more information about the types of RRSPs that you have.

### How do you make an LLP withdrawal?

To make an LLP withdrawal, use Form RC96, *Lifelong Learning Plan (LLP) – Request to Withdraw Funds From an RRSP*. You will find a copy of the form in this guide. You have to complete Form RC96 for each withdrawal that you make.

Complete Area 1 of Form RC96. You can name your spouse as the LLP student in Area 1. You identify yourself as the LLP student by not naming your spouse.

After you complete Area 1 of Form RC96, give it to your RRSP issuer, who will complete Area 2. Your RRSP issuer will not withhold tax from the funds you withdraw if you meet the LLP rules. Your RRSP issuer will send you a T4RSP slip, *Statement of Registered Retirement Savings Plan*

Income, showing the amount you withdrew under the LLP. You have to attach this slip to your tax return.

## You have to be a resident of Canada

You have to be a resident of Canada when you receive funds from your RRSPs under the LLP. If you are not sure whether you are a resident or non-resident of Canada, or you need more information about residency status, contact your tax services office. See the section called "If you become a non-resident" on page 11 for information about what happens if you become a non-resident after you make an LLP withdrawal.

## Who is the LLP student?

The LLP student is the person whose education is being financed by the LLP. You can name your spouse as the LLP student on Form RC96. You identify yourself as the LLP student by not naming your spouse.

## Deductions for RRSP contributions may be affected by an LLP withdrawal

If you make an LLP withdrawal, certain rules limit your deduction for contributions you make to your RRSP during the 89-day period just before the withdrawal. Under these rules, you may not be able to deduct all or part of the contributions made during that period for any year.

The amount that is not deductible is the total of your contributions to an RRSP during the 89-day period just before your LLP withdrawal from that RRSP minus the fair market value of that RRSP after your withdrawal. When the result of the calculation is a negative number, the contributions are deductible if they meet all of the other conditions for an RRSP contribution to be deductible. The same rules apply if your spouse contributed to your RRSP during the 89-day period just before you made an LLP withdrawal from that RRSP.

### Example 1

Ahmed's RRSP has a fair market value of \$6,500 on February 10, 2000. He contributes \$8,000 to the RRSP on that day. He then makes an LLP withdrawal of \$10,000 on March 1, 2000. The fair market value of the RRSP after the withdrawal is \$4,500. He does not make any other RRSP contributions in 2000.

#### February 10, 2000

Fair market value before contribution	\$ 6,500
February 10, 2000 contribution	+ 8,000
Fair market value after the contribution	= \$ 14,500

#### March 1, 2000

LLP withdrawal	- 10,000
Fair market value after withdrawal	= \$ 4,500

Ahmed determines the portion of his contributions that are not deductible as follows:

Contributions in the 89 days before LLP withdrawal	\$ 8,000
minus Fair market value after withdrawal	- 4,500
<b>Result</b>	<b>= \$ 3,500</b>

Ahmed cannot deduct \$3,500 of the contribution he made on February 10, 2000 for any year. In this example, if he had

made an LLP withdrawal of \$6,500 or less, his entire \$8,000 contribution would have been deductible.

You and your spouse can use the chart in the Appendix on page 12 to determine the part of the contributions you or your spouse made that is not deductible for any year.

## Conditions the LLP student has to meet

Before you withdraw an amount from your RRSP under the LLP, one of the following must apply:

- the LLP student has to be enrolled in a qualifying educational program at a designated educational institution; or
- the LLP student has to have received a written offer (a conditional written offer is acceptable) to enrol before March of the following year in a qualifying educational program at a designated educational institution.

A **qualifying educational program** is an educational program that requires students to spend ten hours or more per week on courses or work in the program, and that lasts three consecutive months or more.

A **designated educational institution** is a university, college, or other educational institution that qualifies for purposes of the education tax credit that you claim on your tax return. Contact your tax services office if you are not sure whether a particular institution is a designated educational institution.

Normally, the enrolment has to be on a full-time basis at the educational institution. However, the enrolment can be on a part-time basis if the student meets one of the disability conditions.

### Disability conditions for part-time students

We consider the LLP student to meet the disability conditions if one of the following situations applies:

- the student can only attend part-time because of a mental or physical impairment, and a medical doctor or appropriate medical practitioner, specifically, an optometrist, audiologist, psychologist, or occupational therapist has certified this on Form T2202, *Education Amount Certificate*; or
- the student is entitled to the disability amount on line 316 of the student's tax return for the year of the LLP withdrawal.

#### Note

If the student was allowed the disability amount on the return for the previous year and still meets the eligibility requirements for the disability amount, the student will meet this condition. The student will also meet this condition if someone else claimed the disability amount for the student in the previous year and the student still meets the eligibility requirements for the disability amount. If you have questions about being eligible for the disability amount, contact your tax services office.

## The LLP student has to enrol

The LLP student usually has to enrol in a qualifying educational program that starts before March of the year

following the LLP withdrawal. The LLP student has to enrol on a full-time basis unless he or she meets the disability conditions for part-time students.

If the LLP student decides not to proceed with the educational program, or to proceed on a part-time basis without meeting the disability conditions, you have to cancel your LLP withdrawals. For more information, see the section called "How to cancel your LLP withdrawal" on page 7.

### The LLP student has to continue in the program

In order for you to be able to make your LLP repayments over a 10-year period, the LLP student has to continue to be enrolled in an educational program at the end of March of the year following the LLP withdrawal, unless the student has already completed the program by then.

We check the LLP student's education amount on line 323 of the student's return for the year you make the withdrawal and the following year. If we cannot determine from the education amount that the LLP student has continued in the program, we will contact you to find out if you still meet the conditions to make the repayments over a ten-year period.

#### Example 2

In September 2000, George withdraws \$1,000 from his RRSPs under the LLP. Earlier in the same month, he enrolled in a four-month college program, and paid \$750 in tuition fees.

George completes the program in January 2001. Therefore, he can repay his LLP amounts over a 10-year period.

If the LLP student leaves the program before April of the year following the withdrawal, you can still make your repayments over a 10-year period if less than 75% of the student's tuition is refundable.

If 75% or more of the LLP student's tuition is refundable, you have to cancel the LLP withdrawal. For more information, see the section called "How to cancel your LLP withdrawal" on page 7.

#### Note

Special rules apply if the LLP student dies. See the section called "If the person who made the LLP withdrawal dies" on page 10.

### How much can you withdraw?

You can withdraw up to \$10,000 in a year from your RRSPs under the LLP. This is your **annual LLP limit**. For each withdrawal, you have to complete Form RC96, *Lifelong Learning Plan (LLP) – Request to Withdraw Funds From an RRSP*.

You can withdraw amounts from your RRSPs for a period of up to four calendar years, as long as the LLP student continues to be enrolled in a qualifying educational program and continues to meet the conditions we explain on page 5 under the heading "Conditions the LLP student has to meet." You cannot withdraw more than the **total**

**LLP limit** of \$20,000 each time you use the LLP. You can use the LLP again, starting the year after you bring your LLP balance to zero.

If you withdraw more than the annual LLP limit of \$10,000 in a year, the excess will be included in your income for the year of the withdrawal. The excess is not used to determine whether you have reached your total LLP limit of \$20,000.

If you withdraw more than \$20,000 in total under the LLP, the excess will be included in your income for the year you exceed the total LLP limit.

#### Note

After you start repaying your LLP withdrawals, you cannot make any more withdrawals until after the year you bring your LLP balance to zero. You reduce your LLP balance to zero by either repaying the withdrawals or including them in your income.

#### Example 3

Hilde uses the LLP to finance her full-time training in a four-year qualifying educational program. She begins the program in August 1999 (year 1) and will finish in May 2003 (year 5). She makes the following LLP withdrawals from her RRSP:

Withdrawals		Total withdrawals for the year	Annual LLP limit	Cumulative withdrawals
<b>Year 1</b>	<b>1999</b>			(see note 1)
March	\$6,000			
June	\$6,000	\$12,000	\$10,000	\$10,000
<b>Year 2</b>	<b>2000</b>			
June	\$4,000	\$4,000	\$10,000	\$14,000
<b>Year 3</b>	<b>2001</b>			
April	\$2,000			
August	\$3,000	\$5,000	\$10,000	\$19,000
<b>Year 4</b>	<b>2002</b>			(see note 2)
May	\$5,000	\$5,000	\$10,000	\$24,000
Note 1: Hilde has to include \$2,000 in her income for 1999 because this amount exceeds the annual LLP limit. This amount does not have to be included in determining her total LLP limit.				
Note 2: The total of her withdrawals for her 4-year withdrawal period is more than the \$20,000 total LLP limit. Therefore, she has to include \$4,000 (\$24,000 - \$20,000) in her income for 2002.				

The amounts that exceed the annual LLP limit and the total LLP limit are not considered LLP withdrawals. Therefore, Hilde will not have to repay them under the LLP. However, she will have to include them in income on her tax return.

### You have to file a tax return

Starting in the year you make your first LLP withdrawal, you have to complete and send us a return every year until you have repaid all of your LLP withdrawals or included them in your income. You have to send us a return even if you don't owe any tax. Attach the T4RSP slips your RRSP issuer sends you for your LLP withdrawals.

You have to complete Schedule 7 (included in your income tax package) and attach it to your return to show your total LLP withdrawals and repayments in the year. This will help both us and you to keep track of them. When you file your return for the first year you are using the LLP, you can use Schedule 7 to change the LLP student. You can use Schedule 7 to name your spouse as the LLP student if you did not do so on Form RC96, *Lifelong Learning Plan (LLP) – Request to Withdraw Funds From an RRSP*. If you named your spouse as the LLP student, you can change it to yourself. You cannot change the LLP student you have named after you file your return for that first year.

## How to cancel your LLP withdrawal

If the LLP student decides not to proceed with the educational program, or does not meet the conditions explained in the section called "The LLP student has to continue in the program" on page 6, you can cancel your LLP withdrawal by paying it back to an RRSP. You cannot make this cancellation payment if the withdrawal did not meet the LLP rules at the time you made the withdrawal.

The due date for the cancellation payment is December 31 of the year following the year you made the withdrawal. You can make the cancellation payment to any of your RRSPs with any issuer, or you can open a new RRSP. You cannot make a cancellation payment to your spouse's RRSP.

When you make the cancellation payment to your RRSP, your RRSP issuer will give you a receipt. Send the receipt along with a signed letter to the Ottawa Tax Centre, Room 362, 875 Heron Road, Ottawa ON K1A 1A2. The letter should explain the reason why you are cancelling your LLP withdrawals.

Any amount that you do not repay will be included in your income for the year you withdrew it. If we have already assessed your return for that year, we will reassess it to include the unpaid amount. In addition, we will charge interest.

### Example 4

On May 1, 1999, Rachid, a Canadian resident, applies to three Canadian universities as a full-time student. Rachid receives a written offer to enrol from one of the universities on July 10, 1999. On July 13, 1999, he makes an LLP withdrawal from his RRSP of \$10,000.

Since Rachid withdrew the funds in 1999, Rachid has to enrol in the program before March 1, 2000. If he does not, Rachid will have to cancel the LLP withdrawal by paying back the \$10,000 to his RRSP by December 31, 2000. We will include any amount he does not repay in his income for 1999.

## Questions you may have

### How often can you use the LLP?

There is no limit on the number of times you can use the LLP over your lifetime. Starting in the year after you bring your LLP balance to zero, you can use the LLP again and withdraw up to \$20,000 over a new four-year period.

## Can you and your spouse use an LLP at the same time?

Yes. You and your spouse can use an LLP at the same time. You can each use one for yourselves, you can use one for each other, or you can both use an LLP for one of you. Each of you can withdraw up to the annual LLP limit of \$10,000 in a year, and up to the total LLP limit of \$20,000 over the period you are using the LLP.

Each one of you can withdraw funds for only one LLP student at a time. Once each of you names the LLP student, you can only withdraw LLP amounts from your RRSPs for that student until the year after you have reduced your LLP balance to zero.

### Example 5

Maria withdraws \$5,000 from her RRSPs in 2004 and names her husband Fernando as the LLP student. Fernando starts an educational program in 2004 and completes it in 2005. He does not make any LLP withdrawals from his RRSPs. In 2006, Maria enrolls in a two-year college program. She cannot make any LLP withdrawals for herself as the LLP student because she named Fernando as the LLP student and she has not brought her LLP balance to zero by repaying the amount she withdrew for Fernando. (However, Fernando can make LLP withdrawals from his RRSPs and name Maria as the LLP student.)

## Can you make LLP withdrawals from more than one RRSP?

You can make LLP withdrawals from more than one RRSP under which you are the annuitant. Your total LLP withdrawals in a year from all of your RRSPs cannot exceed the annual LLP limit of \$10,000. In addition, your total LLP withdrawals over the period that you are using the LLP cannot exceed the total LLP limit of \$20,000.

## Can you use LLP withdrawals for other purposes?

Provided the LLP student enrolls in a qualifying educational program at a designated educational institution and meets all the conditions to use the LLP, you can use the funds you withdrew under the LLP for purposes other than education costs.

## Can you use the Home Buyers' Plan at the same time?

You can use the LLP even if you have withdrawn amounts from your RRSP under the Home Buyers' Plan that you have not yet fully repaid. For more information about the Home Buyers' Plan, get the guide called *Home Buyers' Plan (HBP) – For 19\_ Participants*.

## LLP withdrawal chart

This chart shows how you make the LLP withdrawal and the various conditions that apply.

- You have an RRSP.
- You are a Canadian resident.
- The LLP student is enrolled (or has received an offer to enrol before March of the following year) in a qualifying educational program at a designated educational institution as a full-time student.
- If the LLP student meets the disability conditions, the LLP student can be enrolled on a part-time basis.

Complete Form RC96 and submit it to your RRSP issuer.

### You can withdraw:

- up to \$10,000 in a calendar year;
- up to \$20,000 over a 4-year period.

Your LLP withdrawal may affect the deductions for RRSP contributions. For more information, see "Deductions for RRSP contributions may be affected by an LLP withdrawal" on page 5.

**You have to file a tax return even if you do not owe tax.**

### The LLP student has to:

- enrol before March of the year following the LLP withdrawal; and
- still be enrolled in that program in April of the year following the LLP withdrawal, unless the student has already completed the program.

The RRSP issuer will not withhold tax at source on the amount you withdraw.

The RRSP issuer will send you a T4RSP slip showing the LLP amount.

## Chapter 2 – Repaying your withdrawals

Over a period of no more than 10 years, you have to repay your LLP withdrawals to your RRSPs. We call these 10 years your **repayment years** and the 10-year period your **repayment period**.

Your first repayment year is usually one of the following two years, whichever comes first:

- the second year after the last year the LLP student was entitled to claim the education amount on line 323 of the student's income tax return; or
- the fifth year after your first withdrawal under the LLP.

In most cases, the LLP student is entitled to the education amount for three months in the year you make an LLP withdrawal or the following year. In some cases, the LLP student is not entitled to the education amount for three months in any year. This can happen if the program is a short one and the student starts it near the end of a year. In that case, your first repayment year is the second year after the year of your LLP withdrawal.

If the student is not entitled to the education amount for three months in any year because the student left the program, see "The LLP student has to continue in the program" on page 6.

### Example 6

Sarah makes LLP withdrawals from 2000 to 2003. She continues her education from 2000 to 2005, and is entitled to claim the education amount for at least three months on her return every year.

Sarah's repayment period is from 2005 to 2014, since 2005 is the fifth year after the year of her first LLP withdrawal. The due date for her first repayment is March 1, 2006, which is 60 days after the end of 2005, her first repayment year.

### Example 7

Joseph makes an LLP withdrawal in 2002 for a qualifying educational program he is enrolled in during 2002. He is entitled to the education amount for five months of 2002.

Joseph takes a year off the educational program in 2003, so he is not entitled to the education amount on his return for 2003. In 2004 he enrolls in the program again and is entitled to the education amount for four months on his return. He completes the program in June 2005 and is entitled to the education amount for five months on his return for 2005. He is not entitled to the education amount for 2006 or 2007.

Joseph's repayment period begins in 2007. Although he took a year off in 2003, his repayment period does not begin until 2007 because he was entitled to the education amount for at least three months in 2004 and 2005.



### Note

Even if you become bankrupt, you still have to repay all your LLP withdrawals to your RRSPs. If you do not, you have to include the required amounts in your income each year as they become due.

## How do you make your repayments?

Usually, each year you have to repay 1/10 of the total amount you withdrew until the full amount is repaid. You do not have to pay any interest on the amounts you withdrew.

To make your repayments, you have to contribute to your RRSP in the repayment year or in the first 60 days of the following year. You can make the repayments to any of your RRSPs with any issuer, or you can open a new RRSP. You have to designate your repayment for the year by completing Schedule 7 and filing it with your tax return for the repayment year.

You have to contribute to your RRSP to make your repayments even if you do not have an RRSP deduction limit. We do not consider an amount you designate as a repayment under the LLP to be an RRSP contribution. Therefore, you cannot claim a deduction for this amount on your return.

Starting in the fall of the year after you make your first LLP withdrawal, we will send you a *Statement of Account – Lifelong Learning Plan* each year. This statement tells you how much you have to repay for the following year. It also shows the total LLP withdrawals you have made, the amount you have repaid to date, and your LLP balance. You **cannot** designate a contribution you made to your spouse's RRSPs (or a contribution your spouse made to your RRSPs) as a repayment under the LLP.

### Example 8

Betty has an LLP balance of \$7,500. Her repayment period is from 2003 to 2012. For her first repayment year, she needs to repay \$750, which is 1/10 of the amount she withdrew. Betty contributes \$6,000 to her RRSPs in 2003. To designate \$750 as her 2003 repayment, Betty has to file Schedule 7 with her 2003 return. Betty can deduct the remaining \$5,250 she contributed if the RRSP deduction limit shown on her *Notice of Assessment* for 2002 is at least \$5,250.

## Contributions you cannot designate

You may have made contributions to your RRSP from January 1 of the repayment year up to the 60th day of the following year that you cannot designate as repayments under the LLP. You **cannot** designate contributions that:

- you made to your **spouse's RRSPs** (or that your spouse made to your RRSPs);
- are amounts you transferred directly to your RRSPs from a registered pension plan, deferred profit-sharing plan, registered retirement income fund, the Saskatchewan Pension Plan, or another RRSP;
- are amounts you deducted as a re-contribution of an excess qualifying withdrawal that you designated to have a past-service pension adjustment approved;

- are amounts you contributed in the first 60 days of the repayment year, that you deducted on your return for the previous year or designated as a repayment for the previous year under the Home Buyers' Plan;
- are amounts you received in the repayment year, such as retiring allowances, that you transferred to your RRSPs and deducted or will deduct on your return for that year; or
- you made to an RRSP that is no longer an RRSP at the end of the year you made them.

## What if you want to repay earlier?

You can start your repayments before your repayment period if you wish, but once you begin to repay, you cannot make any more LLP withdrawals until the year after you bring your LLP balance to zero. Any payments you make before the first repayment year will reduce your first required repayment. For example, assume your first repayment year is 2005 and \$1,000 is your required repayment. If you make an early repayment of \$600 in 2004, your required repayment for 2005 will be \$400. See "How do you make your repayments?" on this page for information about making your repayment.

## What if you repay less than the amount required?

If you designate an amount that is less than the amount you have to repay, you will have to include the difference in your income on line 129 of your return. The amount you include in your income is equal to the amount you have to repay **minus** the amount you designate as a repayment for the year. The amount you include in income cannot be more than the result of this calculation.

Your LLP balance is reduced by the amount you repay **plus** the amount you include in income. If you want to calculate the amount you have to repay for the next year, divide your LLP balance by the number of years remaining in your repayment period.

### Example 9

Josée makes a \$10,000 LLP withdrawal in 1999 for a four-month qualifying educational program that finishes in 1999. For 2001, Josée's repayment is \$1,000 ( $\$10,000 \div 10$ ). Josée contributes \$700 to her RRSPs in 2001, and files Schedule 7 with her return to designate the \$700 as a repayment under the LLP. Josée has to include \$300 in her income on line 129 of her 2001 return. She determined this as follows:

Amount she has to repay for 2001	\$1,000
Minus: Amount she designates as a repayment on Schedule 7	— 700
Amount she includes in income on line 129	= <u>\$300</u>

She cannot claim a deduction for the \$700 contributed to her RRSPs because she designated those contributions as a repayment under the LLP. In 2002, she has to repay \$1,000 ( $\$9,000 \div 9$ ).

## What if you repay more than the amount required?

If you repay and designate more than you have to repay for a year, the amount you have to repay in each following year will be less. The annual *Statement of Account – Lifelong Learning Plan* that we send you takes into account any

additional payments you make and tells you how much you have to repay for the next year.

If you want to calculate the amount you have to repay for the next year, divide your LLP balance by the number of years remaining in your repayment period.

### Example 10

Alexander's repayment period is from 2001 to 2010. His LLP balance is \$8,500. Alexander's repayment for 2001 is \$850 ( $\$8,500 \div 10$ ). Alexander makes the repayment for 2001, 2002, and 2003. In the year 2004, Alexander receives an inheritance and decides to contribute \$4,000 to his RRSPs and designate that amount as a repayment under the LLP for the year 2004. He calculates the amount he has to repay for the year 2005, using the chart below.

Year	LLP balance at the beginning of the year	Amount Alexander has to repay for the year	Amount Alexander designates as a repayment for the year	LLP balance for the following year
2001	\$8,500	\$850 ( $\$8,500 \div 10$ )	\$ 850	\$7,650
2002	\$7,650	\$850 ( $\$7,650 \div 9$ )	\$ 850	\$6,800
2003	\$6,800	\$850 ( $\$6,800 \div 8$ )	\$ 850	\$5,950
2004	\$5,950	\$850 ( $\$5,950 \div 7$ )	\$4,000	\$1,950
2005	\$1,950	\$325 ( $\$1,950 \div 6$ )	\$ 325	\$1,625

## Situations where the repayments have to be made in less than 10 years

Additional repayment rules apply if you:

- die;
- become a non-resident; or
- are 70 years of age or over.

### Note

You may have to cancel your LLP withdrawal if the LLP student does not meet the enrolment conditions. See the section called "Conditions the LLP student has to meet" on page 5 for more information.

## If the person who made the LLP withdrawal dies

Normally, if the person who made the LLP withdrawal dies, the legal representative has to include the deceased's LLP balance in the deceased's income for the year of death. If the deceased contributed to an RRSP for the year of death, the legal representative can designate the contributions as a repayment under the LLP using Schedule 7. This reduces the LLP balance that the legal representative has to include in the deceased's income.

### Note

An LLP student who dies may not have been the person who made the LLP withdrawal. If this is the case, the

person who made the withdrawal makes the required LLP repayments over the normal 10-year period.

### LLP election on death

If, at the time the person who made the LLP withdrawal died, he or she had a spouse who is a resident of Canada, that spouse can elect jointly with the deceased's legal representative to make the repayments and to not include the LLP balance in the deceased's income. If the surviving spouse is also the legal representative, the surviving spouse makes the election.

To make this election, the surviving spouse and the deceased's legal representative sign a letter and attach it to the deceased's tax return for the year of death. The letter should state that an election is being made to have the surviving spouse make the repayments under the LLP, and to not have the income inclusion rule apply for the deceased. The deceased's LLP balance then becomes the surviving spouse's LLP balance. The surviving spouse makes the repayments to his or her own RRSPs.

### Note

If an election is made and the deceased had not made a repayment for the year of death, no repayment will be required for that year for the deceased.

If the surviving spouse has no LLP balance, the surviving spouse repays the LLP balance over the deceased spouse's repayment period. If the surviving spouse wishes to make

LLP withdrawals, the LLP balance taken over from the deceased will limit the amount the surviving spouse can withdraw. The surviving spouse's total LLP limit will be \$20,000 minus the LLP balance taken over from the deceased spouse. The annual LLP limit for the year of death will be \$10,000 minus the remaining LLP balance from the deceased spouse.

#### Example 11

Isabelle dies in 2004. At the time of death, she had an LLP balance of \$7,200. Her repayment period was from 2003 to 2012. Her husband Bruno is her legal representative.

Bruno decides to elect to make the repayments. He checks the *Statement of Account – Lifelong Learning Plan* that we sent to Isabelle. It shows that the amount he has to repay for 2004 is \$800. Bruno contributes \$800 to his RRSP. When he prepares Isabelle's return for 2004, he does not include her LLP balance in her income. He writes a letter explaining that he is making the election to make his wife's LLP repayments, signs it, and attaches it to her return. When he completes his own return for 2004, he designates \$800 as an LLP repayment using Schedule 7.

If Bruno wants to use the LLP for his own education, his total LLP limit is now \$20,000 minus the remaining LLP balance from Isabelle. In addition, his annual LLP limit for 2004 is \$10,000 minus the remaining LLP balance from Isabelle.

If Bruno had not made the election, he would have to include \$7,200 as income on line 129 of Isabelle's final return for 2004.

If the surviving spouse already had an LLP balance at the time of the spouse's death, the deceased spouse's LLP balance is added to the surviving spouse's LLP balance. This may cause the surviving spouse's LLP balance to exceed the \$10,000 annual limit or the \$20,000 total limit. We will not include the excess in the income of either the surviving spouse or the deceased individual if this occurs. The surviving spouse has to repay the new balance over his or her own repayment period.

#### Example 12

Irene dies June 10, 2001. At the time of death, Irene has an LLP balance of \$7,000 to be repaid. Irene's common law husband Paul is the legal representative of the estate. He decides to make Irene's LLP repayments. He has his own LLP balance of \$14,000, and his repayment period is 2002 to 2011. Paul will add Irene's LLP balance of \$7,000 to his own LLP balance of \$14,000, and repay the total \$21,000 in his repayment period from 2002 to 2011.

### If you become a non-resident

If you become a non-resident before the end of the year in which you make an LLP withdrawal, you have to cancel your LLP withdrawals by paying them back to your RRSP. If you are a resident when you file your tax return for that year, the due date for the cancellation payment is December 31 of the year following the year of the withdrawal. If you are a non-resident when you file your return, the due date is the earlier of the following:

- before the time you file your return for the year in which you made the withdrawal; or
- December 31 of the year following the year of the withdrawal.

When you make the cancellation payment to your RRSP, your RRSP issuer will give you a receipt. Send the receipt along with a signed letter to the Ottawa Taxation Centre, Room 362, 875 Heron Road, Ottawa ON K1A 1A2. The letter should explain that you are cancelling your LLP withdrawals because you became a non-resident and should give the date you became a non-resident.

If you do not make the cancellation payment by the due date, we will include the LLP withdrawal in your income for the year you made the LLP withdrawal. We will charge interest.

If you become a non-resident after the year you make an LLP withdrawal, your LLP balance becomes payable for the year that you become a non-resident. The due date for the repayment is the earlier of the following:

- before the time you file your return for the year you became a non-resident; or
- 60 days after you cease to be a Canadian resident.

You have to designate your repayment for the year by completing Schedule 7 and filing it with your tax return for the year that you become a non-resident. If you do not repay your LLP balance by the due date, you have to include the unpaid amount in your income for the year that you became a non-resident. The amount is included in income for the period you were resident in Canada.

### If you are 70 years of age or over

You can no longer have an RRSP after the end of the year you reach the age of 69. After that year, you will not be able to repay your LLP balance.

In the year you reach the age of 69, you can choose to repay all or part of your unpaid balance. After that, you will have to include in your income the amount that would be your annual repayment each year as it becomes due.

#### Example 13

In 1999, Cuong makes an LLP withdrawal of \$9,000. In 2003, he reaches the age of 69. Cuong repays the amount of \$1,200 for 2001 and 2002, and at the beginning of 2003 has an LLP balance of \$6,600 to repay to his RRSPs. Since Cuong reaches the age of 69 in 2003, this is the last year he can contribute to his RRSPs.

Cuong decides to contribute \$5,200 to his RRSPs in 2003 and to designate that amount as a repayment under the LLP. This leaves him with an unpaid balance of \$1,400 at the end of 2003. Cuong will have to include \$200 ( $\$1,400 \div 7 = \$200$ ) in income for each year from 2004 to 2010. If Cuong did not repay any part of the \$6,600, he would have to include \$825 in income each year from 2003 to 2010. If he repaid the entire \$6,600, he would not have to include any part of this amount in his income.

## Appendix – Deductions for RRSP contributions may be affected by an LLP withdrawal

### Calculating the part of the contributions you or your spouse made to an RRSP that is not deductible for any year

Use a separate chart for each LLP withdrawal.

#### Area 1 – Complete this area if you are the only one who contributed to your RRSP during the 89-day period just before you made an LLP withdrawal from that RRSP.

1. RRSP number _____			
2. Amounts you contributed to the above RRSP during the 89-day period just before your LLP withdrawal from that RRSP. *		_____	<b>2</b>
3. Fair market value of the property held in the above RRSP just after your withdrawal.	-	_____	<b>3</b>
4. Line 2 <b>minus</b> line 3 (if negative, enter "0"). This is the amount of your contribution to the RRSP indicated on line 1 that you cannot deduct for any year.	=	=====	<b>4</b>

#### Area 2 – Complete this area if you contributed to your spouse's RRSP during the 89-day period just before your spouse withdrew an amount from that RRSP.

5. RRSP number _____			
6. Amounts you and your spouse contributed to the above RRSP during the 89-day period just before your spouse's LLP withdrawal from that RRSP. **		_____	<b>6</b>
7. Fair market value of the property held in the above RRSP just after your spouse's withdrawal.	-	_____	<b>7</b>
8. Line 6 <b>minus</b> line 7 (if negative, enter "0"). This is the amount of the contributions to the RRSP indicated on line 5 that is not deductible for any year. ***	=	=====	<b>8</b>

**\* Do not include:**

- any amounts for which you did not receive an official RRSP receipt;
- contributions representing lump sum amounts (for example, retiring allowances) that you transferred to this RRSP (you have to include amounts you contributed to another RRSP during the 89-day period just before your withdrawal, that were transferred to the RRSP identified on line 1);
- the excess amount that you withdrew from your RRSPs in connection with the certification of a provisional past-service pension adjustment that you recontributed to this RRSP for the year, and for which you claim or will claim a deduction;
- an amount you contributed to this RRSP that was refunded to you as an undeducted amount (you may have completed Form T3012A, *Tax Deduction Waiver on the Refund of Your Undeducted RRSP Contributions Made in 19\_\_*); or
- amounts you contributed as a repayment or cancellation payment under the Home Buyers' Plan.

**\*\* Do not include:**

- any amounts for which the designated person did not receive an official RRSP receipt;
- contributions your spouse made for amounts that your spouse transferred to this RRSP (you have to include amounts that your spouse contributed to another RRSP during the 89-day period just before your withdrawal, that your spouse transferred to the RRSP identified on line 5);
- the excess amount that your spouse withdrew from your spouse's RRSPs in connection with the certification of a provisional past-service pension adjustment that your spouse recontributed to this RRSP for the year, and for which your spouse claims or will claim a deduction;
- an amount the designated person contributed to this RRSP that was refunded to the designated person as an undeducted amount (the designated person may have completed Form T3012A, *Tax Deduction Waiver on the Refund of Your Undeducted RRSP Contributions Made in 19\_\_*);
- amounts the designated person contributed as a repayment or cancellation payment under the Home Buyers' Plan.

\*\*\* If both you and your spouse contributed to the above RRSP during the 89-day period just before your spouse's withdrawal under the LLP, the earliest contributions made during this period are the non-deductible contributions.