Information for Individuals About Income Tax

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RRSP and Other Registered Plans for Retirement

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Before You Start

Is this guide for you?

Use this guide if you want to find information about some of the rules in the *Income Tax Act* that affect saving for retirement. This guide has information that is not in your income tax guide and returns package, but that you may need to complete your 1994 income tax return. You may also find this guide useful if you are in the business of selling Registered Retirement Savings Plans (RRSPs) or Registered Retirement Income Funds (RRIFs).

Forms and publications

In the middle of this guide, you can find two copies of some of the forms you may have to complete. Throughout the guide, we also refer to other forms and publications. If you need any forms or publications, see the section called "How to order forms and publications" on the last page of this guide.

What's New for 1994?

Below we have summarized the major changes in this guide that may apply to you for 1994. We have highlighted the changes in **yellow** throughout this guide.

Changes to the guide

- New Schedule 7, *Registered Retirement Savings Plan (RRSP) Transfers and Unclaimed Contributions,* will help you keep track of your undeducted RRSP contributions. You can find a copy of Schedule 7 in your 1994 *General Income Tax Guide.*

Proposed changes to the law

This guide includes announced tax changes that were not law at the time of printing. However, we are getting ready to apply the proposed changes. These changes include:

- Your 1994 RRSP deduction limit may be reduced by:
  - a pension adjustment (PA) or similar amount if you participated in a foreign plan, a specified retirement arrangement, or a government-sponsored retirement arrangement in 1993; and/or
  - a net past-service pension adjustment (PSPA) or similar amount if you participated in a foreign plan, a specified retirement arrangement, or a government-sponsored retirement arrangement in 1994, and your past-service benefit accruing under the plan was increased in 1994.
- If you made contributions to your RRSP or to your spouse's RRSP after March 1,1994, and part or all of those contributions were withdrawn under the **Home Buyers' Plan** less than 90 days after they were made, part or all of those contributions may not be deductible in calculating your income for any year.

Tax Information Phone Service (T.I.P.S.)

T.I.P.S. is a computerized phone service that provides you with general and personal tax information. You can call the T.I.P.S. telephone number to find out the amount of registered retirement savings plan (RRSP) contributions you may deduct for 1994. If you call our automated T.I.P.S. for RRSP information, you will be asked to provide your social insurance number, the month and year of your birth, and the total income you reported on line 150 of your 1993 return.

This service is available from September to May. You can find this number under "T.I.P.S." on the cover sheet with your income tax package or at the back of your *General Income Tax Guide*. You can also find the T.I.P.S. telephone number in the Government of Canada listing in your telephone book under Revenue Canada.

Blind or visually impaired persons can get this publication in braille and large print, or on audio cassette and computer diskette. ~~To order, please call 1-800-267-1267 weekdays between 8:15 a.m. and 5:00 p.m. (Eastern Time).~~

This guide uses plain language to explain the most common income tax situations. If you need more help after reading this guide, please contact your Revenue Canada income tax office. You can find the address and telephone numbers in your income tax package.

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Chapter 1
Registered Pension Plans (RPPs) and Deferred Profit-Sharing Plans (DPSPs)

What is a registered pension plan (RPP)?

An RPP is a pension plan that we have registered for the purposes of the *Income Tax Act*. A pension plan is a formal arrangement established by an employer, a group of employers, or a union along with employers. An employer, and usually the employees, contribute funds to provide periodic retirement benefits (a pension) to the employees when they retire.

What are the types of RPPs?

There are two basic types of RPPs. There are plans that have a **defined-benefit provision** and plans that have a **money-purchase provision**. The same plan can contain both provisions. However, the *Income Tax Act* has different rules for each type of provision.

Defined-benefit plan

A defined-benefit RPP is a pension plan that will provide a member with a specified level of pension for each year of the member's pensionable service. There are different types of defined-benefit plans including flat-benefit plans, career-average plans, and final-average or best-average plans. Most Canadians who are members of RPPs participate in plans that have a defined-benefit provision.

Money-purchase plan

A money-purchase RPP is a pension plan that will provide a member with whatever level of pension the property in the member's account under the plan will buy at retirement. The pension is not predetermined. It is determined by how much money the member and the employer contribute for the member, the plan's investment earnings, and the annuity rates when the member retires.

If you want to know more about the type of RPP you belong to, contact your employer.

How much can you deduct for RPP contributions?

Subject to the rules explained in this section, you can deduct the amounts you contribute to an RPP for current service and past service. The chart on page 6 will help you calculate the amount you may deduct for current and past-service RPP contributions.

Deducting your current-service contributions

Current service is work you perform in the year. Current-service contributions are amounts you contribute for that work.

You can deduct all your 1994 current-service contributions if you made them under the terms of the plan as registered by us. Current-service contributions are shown in box 20 of your 1994 T4 Supplementary slip, or on your union receipt. Deduct this amount on line 207 of your 1994 return.

Deducting your past-service contributions

Generally, past service is work you performed in a previous year that is pensionable service under your defined-benefit RPP. Past-service contributions are amounts you contribute for that work. You can usually make your past-service contributions in a lump sum, or by instalments. If you make them by instalments, any instalment interest you pay to the RPP is part of your past-service contribution. Your RPP may allow you to transfer **directly** amounts from other registered plans to pay for the cost of the past-service benefits. For more information on transfers, see Chapter 4, "Transfers to Registered Plans or Funds and Annuities," which starts on page 31.

Past-service contributions are shown in box 20 of your 1994 T4 Supplementary slip, or box 32 of your 1994 T4A Supplementary slip. You can deduct these contributions on line 207 of your 1994 return unless the total of these amounts is more than $3,500 and any one of your slips shows a past-service contribution for a period before 1990.

Your maximum 1994 deduction for your past-service contributions is based on whether the past service was performed:

- in 1990 or later years; or
- in 1989 or earlier years.

Deducting your past-service contributions you made for 1990 or later years

You can deduct all the past-service contributions you made to your RPP in 1994 for past service in 1990 or later years, as long as you made them under the terms of the plan, as registered by us. If you do not deduct on your 1994 return the contributions you made in 1994 for past service in 1990 or later years, you cannot deduct the contributions at all for a later year.

Note

Pension benefits you earn on a past-service basis for 1990 or later years may cause a past-service pension adjustment (PSPA). If you want to know more about PSPAs, see "Past-service pension adjustments (PSPAs)" on page 10.

Deducting your past-service contributions you made for 1989 or earlier years

If your past-service contributions are for 1989 or earlier years, your deduction is based on whether the past service is service while you **were a contributor** or service while you **were not a contributor**. If you are deducting these contributions, attach a statement to your return giving a breakdown of the amount of the RPP past-service contributions while you were or were not a contributor.

The chart on the next page will help you determine if your past-service contributions for 1989 or earlier years are for service while you were or were not a contributor.

Determining if your RPP past-service contributions were for service while you were or were not a contributor

Use this chart to determine if your past-service contributions, for service you performed for 1989 or earlier years, are for service while you were a contributor, or for service while you were not a contributor. This chart will then direct you to a second chart where you can calculate the amount you can deduct for that type of contribution.

Step 1

Did you contribute to any RPP, during 1989 or an earlier year, for which the past-service contribution was made?

If you answer ***no***, your past-service contribution is for service while not a contributor. Skip Steps 2 and 3 below and complete Area B of the chart on page 6 to calculate the amount you can deduct for these contributions.

If you answer ***yes***, go to Step 2.

Example — Frank became a member of XTJ Company's RPP in January 1990. He worked for XTJ since June 1989, and did not contribute to any RPP in 1989. In 1994, XTJ's RPP allows Frank to buy back his 1989 service with the company. Frank answers ***no*** to this question because he did not contribute to any RPP in 1989.

Example — Andrew joined TTM Company's RPP on February 4, 1994. This RPP allowed Andrew to buy back his 12 years of employment with CCD Company, his previous employer. During those 12 years (1983 to 1994), Andrew contributed to CCD Company's RPP. Andrew answers ***yes*** to this question because he contributed to an RPP during a year for which the past-service contribution was made.

Step 2

Was the plan you contributed to, during 1989 or an earlier year, the same plan to which you made a past-service contribution?

If you answer ***yes***, your past-service contribution is for service while a contributor. Skip Step 3 below and complete Area C of the chart on page 6 to calculate the amount you can deduct for these contributions.

If you answer ***no***, go to Step 3.

Example — Phil worked for YYW Ltd. from 1980 to present during which time Phil contributed to his employer's RPP. In 1994, Phil upgraded his benefits under the RPP for past-services performed for YYW Ltd. from 1980 to 1988. Phil answers ***yes*** to this question because the past-service contribution was made to the same RPP that he contributed to from 1980 to 1988.

Example — Julie changed employers in May 1987, and became a member of her new employer's RPP. She was a member of a different contributory RPP from May 1980 until May 1987. Julie's new employer's RPP allowed her to buy back the past service with her previous employer. Julie bought this service in July 1987. Julie answers ***no*** to this question because the past-service contribution was not made to the same RPP that she contributed to from May 1980 to May 1987.

Step 3

Does either one of the following statements apply to you?

- **You made the past-service contribution before March 28, 1988; or**
- **You made the past-service contribution under the terms of an agreement entered into before March 28, 1988.**

If you answer ***yes*** to either of the above statements, your past-service contribution is for service while not a contributor. Complete Area B of the chart on page 6 to calculate the amount you can deduct for these contributions.

If you answer ***no*** to both of the above statements, your past-service contribution is for service while a contributor. Complete Area C of the chart on page 6 to calculate the amount you can deduct for these contributions.

Example — Anthony joined DEF Company's RPP on January 15, 1988. This RPP allowed Anthony to buy back his six years of employment with ABC Company, his previous employer. During those six years, Anthony contributed to ABC Company's RPP. Anthony signed an agreement on March 1, 1988, to purchase these six years of past service. Anthony has to contribute $1,000 each year for 15 years to pay for this service.

Anthony answers ***yes*** to this question because Anthony made the past-service contribution under the terms of an agreement entered into before March 28, 1988.

Example — Murphy is a member of her current employer's RPP. She signed an agreement on April 12, 1990, to purchase past service she performed in 1988 and 1989 with another employer for a period when she contributed to a different RPP. Murphy answers ***no*** to this question because she did not make the past-service contribution before March 28, 1988, nor did she make the past-service contribution under the terms of an agreement entered into before March 28, 1988.

Exception for certain teachers — For years up to and including 1994, past-service contributions made for 1989 and earlier years by certain teachers are considered past-service contributions while not a contributor. This rule applies to teachers who are employed by Her Majesty or an employer exempt from income tax under the *Income Tax Act*. Contact your employer to find out if this rule applies to you.

Calculating your 1994 deduction for RPP contributions you made

Area A — Complete this area if you made current-service contributions for 1994 or you made past-service contributions in 1994 for 1990 and later years.

1. Enter the amount of current-service contributions shown in box 20 of your 1994 T4 Supplementary slip or on your union dues receipt (for more details, see "Deducting your current-service contributions" on page 4). ________ 1
2. Enter the amount of past-service contributions you made in 1994, for 1990 or later years, shown in box 20 of your 1994 T4 Supplementary slip or box 32 of your T4A Supplementary slip (for more details, see "Deducting your past-service contributions you made for 1990 or later years" on page 4). ________ 2
3. Line 1 **plus** line 2. This is the amount of your current-service and past-service contributions for 1990 and later years that you deduct for 1994. Enter this amount on line 21 of Area D. ________ 3

Area B — Complete this area if you made past-service contributions for 1989 and earlier years while not a contributor.

4. Enter the amount you contributed in 1994 and earlier years for past-service contributions while not a contributor. ________ 4
5. Enter the amount you deducted before 1994 for the contributions entered on line 4. ________ 5
6. Line 4 **minus** line 5. ________ 6
7. Annual deduction limit. 3,500 7
8. Number of years of service to which the contributions on line 4 relate. ______ × 3,500 = ________ 8
9. Enter the amount from line 5. ________ 9
10. Line 8 **minus** line 9. ________ → ________ 10
11. Enter the amount on line 6, 7 or 10, whichever is less. This is the amount of your past-service contribution for 1989 and earlier years for service while not a contributor that you may deduct for 1994. Enter the amount that you deduct for 1994 on line 22 of Area D. ________ 11

Area C — Complete this area if you made past-service contributions for 1989 and earlier years while a contributor.

12. Enter the amount you contributed in 1994 or earlier years for past-service while a contributor. ________ 12
13. Enter the amount you deducted before 1994 for contributions entered on line 12. ________ 13
14. Line 12 **minus** line 13. ________ → ________ 14
15. Annual deduction limit. 3,500 15
16. Enter the amount from line 3 in Area A that you deduct for 1994. ________ 16
17. Enter the amount from line 11 in Area B that you deduct for 1994. ________ 17
18. Line 16 **plus** line 17. ________ → ________ 18
19. Line 15 **minus** line 18 (if negative, enter "0") ________ → ________ 19
20. Enter the amount from line 14 or 19, whichever is less. This is the amount of your past-service contribution for 1989 and earlier years for service while a contributor that you may deduct for 1994. Enter the amount that you deduct for 1994 on line 23 of Area D. ________ 20

Area D — Complete this area to calculate the total amount you may deduct on line 207 of your 1994 return.

21. Enter the amount from line 3 in Area A that you deduct for 1994. ________ 21
22. Enter the amount from line 11 in Area B that you deduct for 1994. ________ 22
23. Enter the amount from line 20 in Area C that you deduct for 1994. ________ 23
24. Add lines 21, 22, and 23. This is your deduction on line 207 of your 1994 return. ________ 24

The following is an example of a deduction for past-service contributions for 1989 and earlier years **while not a contributor**. This example uses Area B of the chart on page 6.

Example

In 1992, Stan made an $8,500 contribution for past service he performed throughout five years **while not a contributor** to an RPP. Of the $8,500 contributed, Stan deducted $3,500 for 1992 and $3,500 for 1993 for a total of $7,000, which was the maximum he could deduct.

For 1994, the amount Stan can deduct for this $8,500 contribution is $1,500, which is the amount he calculates by completing Area B of the chart on page 6.

Area B — Complete this area if you made past-service contributions for 1989 and earlier years while not a contributor.

4. Enter the amount you contributed in 1994 and earlier years for past-service contributions while not a contributor.				8,500	4
5. Enter the amount you deducted before 1994 for the contributions entered on line 4.				7,000	5
6. Line 4 **minus** line 5.				1,500	6
7. Annual deduction limit.				3,500	7
8. Number of years of service to which the contributions on line 4 relate.	5	× 3,500 =	17,500 8		
9. Enter the amount from line 5.			7,000 9		
10. Line 8 **minus** line 9.			10,500	→ 10,500	10
11. Enter the amount on line 6, 7 or 10, whichever is less. This is the amount of your past-service contribution for 1989 and earlier years for service while not a contributor that you may deduct for 1994. Enter the amount that you deduct for 1994 on line 22 of Area D.				1,500	11

The maximum amount you may deduct for past-service contributions made for 1989 and earlier years, for service while not a contributor, is limited to **$3,500 × the number of years** of service bought back. Therefore, in some cases, you may not be able to deduct in any year a portion of the amount you contribute for past-service while not a contributor. The following example shows how you can use line 8 of Area B of the chart on page 6 to calculate how much of these contributions you will be able to deduct in future years.

Example

In January 1994, Elaine's employer advised her that the cost to buy back six years of pensionable service would be $34,000. To help her decide if she should buy back this service, Elaine used Area B of the chart on page 6 to calculate how much of the $34,000 she would be able to deduct in future years.

Elaine completed line 8 of the chart and determined that she would be able to only deduct $21,000 of the total cost ($34,000) to buy back this service. The difference of $13,000 ($34,000 – $21,000) is not deductible in any year.

Area B — Complete this area if you made past-service contributions for 1989 and earlier years while not a contributor.

4. Enter the amount you contributed in 1994 and earlier years for past-service contributions while not a contributor.				34,000	4
5. Enter the amount you deducted before 1994 for the contributions entered on line 4.					5
6. Line 4 **minus** line 5.					6
7. Annual deduction limit.				3,500	7
8. Number of years of service to which the amounts on line 4 relate.	**6**	**× 3,500 =**	**21,000 8**		
9. Enter the amount from line 5.			9		
10. Line 8 **minus** line 9.				→	10
11. Enter the amount on line 6, 7 or 10, whichever is less. This is the amount of your past-service contribution for 1989 and earlier years for service while not a contributor that you may deduct for 1994. Enter the amount that you deduct for 1994 on line 22 of Area D.					11

The following is an example of a deduction for past-service contributions for 1989 and earlier years **while a contributor**. This example uses Area C of the chart on page 6.

Example

In 1989, Leslie began paying $1,500 annually for past-service contributions while a contributor. This annual payment will stop after 1996. Each year she also contributed and deducted current-service contributions of $2,850.

Because Leslie was deducting $2,850 for current-service contributions each year, she could not deduct the full amount of the past-service contributions while a contributor. Of the $7,500 she contributed from 1989 to 1993 ($1,500 × 5 years) for services while a contributor, Leslie was able to deduct only $3,250.

In 1994, Leslie deducts $2,850 for current-service contributions. Leslie completes Area A and then completes Area C of the chart on page 6 for 1994 to calculate the amount she can deduct for past-service contributions while a contributor.

Area C — Complete this area if you made past-service contributions for 1989 and earlier years while a contributor.

12. Enter the amount you contributed in 1994 or earlier years for past-service while a contributor.			9,000	12		
13. Enter the amount you deducted before 1994 for contributions entered on line 12.			3,250	13		
14. Line 12 **minus** line 13.			5,750	→	5,750	14
15. Annual deduction limit.			3,500	15		
16. Enter the amount from line 3 in Area A that you deduct for 1994.	2,850	16				
17. Enter the amount from line 11 in Area B that you deduct for 1994.	n/a	17				
18. Line 16 **plus** line 17.	2,850	→	2,850	18		
19. Line 15 **minus** line 18 (if negative, enter "0").			650	→	650	19
20. Enter the amount from line 14 or 19, whichever is less. This is the amount of your past-service contribution for 1989 and earlier years for service while a contributor that you may deduct for 1994. Enter the amount that you deduct for 1994 on line 23 of Area D.					650	20

Leslie deducts $3,500 on line 207 of her 1994 return which includes the $2,850 current-service contributions and the $650 past-service contributions. She has undeducted past-service contributions at the end of 1994 of $5,100 and can carry forward this amount to later years.

Past-service contribution instalment interest

If you make past-service contributions to your RPP in instalments, you will probably pay interest charges. The tax treatment for deducting interest charges depends on the date you elected to buy back the past service:

- **Past-service elections made after November 12, 1981**

  If you elected after November 12, 1981, to make past-service contributions, and you make them in instalments, the annual instalment interest you pay is a past-service contribution. You take these amounts into account when you calculate how much you can deduct for past-service contributions for 1994 on line 207 of your return. While instalment interest you paid in **1988 and earlier years** is also a past-service contribution, we will not reassess 1988 or previous-year returns to allow you to deduct any part of this instalment interest.

- **Past-service elections made before November 13, 1981**

  If you elected before November 13, 1981, to make past-service contributions, you can deduct the instalment interest you pay each year to the RPP as an other deduction on line 232 of your return, or as part of your past-service contributions on line 207 of your return. It may benefit you more if you deduct your instalment interest for past-service elections made before November 13, 1981, on line 232 of your return. This is because limits exist on how much you can deduct on line 207 of your return for your past-service contributions made for service you performed in 1989 and earlier years.

Additional voluntary contributions (AVCs)

AVCs are amounts you contribute to an RPP that you do not have to contribute as a general condition of plan membership. AVCs provide benefits under a money-purchase provision of an RPP. You can deduct required and voluntary amounts you contribute under a money-purchase provision of an RPP, if you made the contributions according to the plan as registered.

There are limits on how much AVCs you can contribute to an RPP and deduct on your return. These limits are related to the pension adjustment (PA) limits that apply to RPPs. For information on PAs, see "Pension adjustments (PAs)" on page 9. Your employer can tell you more about these limits.

Undeducted past-service AVCs — You cannot deduct pre-1990 past-service AVCs. For 1991 and later years, you are taxed on withdrawals of your undeducted past-service AVCs.

However, if **before October 9, 1986**, you used an undeducted past-service AVC to purchase an RPP or RRSP annuity, or you transferred it to a RRIF, you can deduct the undeducted past-service AVC at a maximum annual rate of $3,500 until it is fully deducted. You can deduct this amount if you did not withdraw and deduct the undeducted past-service AVC for a year before 1991. You can deduct up to the $3,500 maximum each year, if the amount you deduct is not more than the retirement income you include in your income.

Retirement income includes income from a source that is superannuation or pension, Old Age Security, Canada Pension Plan or Quebec Pension Plan, RRSPs or RRIFs, and annuities the payments for which either involved RRSP or RRIF transfers or were deductible from income as RRSP contributions.

What is a deferred profit-sharing plan (DPSP)?

A DPSP is a deferred profit-sharing plan that we register for the purposes of the *Income Tax Act*. A profit-sharing plan is an arrangement under which an employer shares the business profits with all or a group of the employer's employees or former employees.

Making contributions to a DPSP

Employees can no longer contribute to DPSPs. This rule does not apply to DPSP lump-sum payments that are transferred **directly** to another DPSP on behalf of employees. If you want to know more about these transfers, see "Direct transfer of a DPSP lump-sum payment" on page 39.

In years before 1991, employees could contribute non-deductible amounts to DPSPs. If, in a year before 1991, you contributed more than $5,500 to a DPSP, tax may have to be paid by the DPSP trust on the amounts you contributed that are more than $5,500, unless you withdrew those amounts from the plan.

If you contributed to a DPSP, only the part of the payments received from the plan that is more than your non-deductible contributions is taxable. DPSP payments are not taxable until all the non-deductible amounts you contributed have been paid out of the plan. DPSP payments shown on your T4A Supplementary slip are the taxable part of the payments you receive.

For more details, see Interpretation Bulletin IT-363, *Deferred Profit Sharing Plans — Deductibility of Employer Contributions and Taxation of Amounts Received by a Beneficiary*.

Payments from a DPSP

The amounts an employer contributes for you to the trustee of a DPSP are not taxable until you receive payments from the plan. These payments are reported on a T4A Supplementary slip for the year you receive them. You have to report your DPSP payments received in 1994 on line 115 of your return if:

- you were at least 65 years old at the end of 1994; or
- you received them because of the death of your spouse.

Otherwise, you report your DPSP payments on line 130 of your 1994 return.

When do your DPSP payments become payable?

All amounts to which you are entitled become payable no later than 90 days after the earliest of the following dates:

- the date you cease to be employed by a contributing employer;
- the date you attain the age of 71;
- the date the plan terminates or winds up; or
- the date you die.

Do you have a choice about how to have your DPSP payments paid?

If you are a DPSP member, and the plan provides for it, you can elect to have all or part of any amounts payable:

- paid to you by the DPSP trustee in equal annual or more frequent equal instalments over a period of not more than 10 years; or
- used to purchase an annuity for you. The annuity must not have a guaranteed term of more than 15 years, and the payments have to begin by your 71st birthday. This annuity has to be purchased from a person licensed or otherwise authorized under Canadian law to carry on an annuities business in Canada.

Pension adjustments (PAs)

The following is an overview of PAs under RPPs and DPSPs. If you want to know how PAs are calculated, or why you have a PA, ask your employer. For more details, see "Your 1993 pension adjustment (PA) and similar amounts" on page 15.

What is a PA?

Your PA for a year includes the total of your pension credit amounts accrued for the year under benefit provisions of RPPs and under DPSPs sponsored by your employer. A pension credit amount for a year measures the value of the benefit you earn for the year under an RPP benefit provision, or under a DPSP.

Does your employer have to report a PA for you?

Generally, your employer has to report a PA for you whether you get an immediate right to the benefits or pension you earn, or only after you complete a further period of service or plan membership. If you stop working before you get a right to your pension, your employer may still have to report a PA for you for the year in which you stop working. If you stop working before you get a right to the benefits you earn under the DPSP, your PA under the DPSP for the year in which you stop working is zero.

Where is your PA shown on your T4 or T4A Supplementary slip?

Your 1994 PA is shown in box 52 of your 1994 T4 Supplementary slip, or in box 34 of your 1994 T4A Supplementary slip. If you work for more than one employer in 1994, and each employer sponsors their own RPP or DPSP, you may have more than one PA for 1994. Enter the total of your 1994 PAs shown on your 1994 T4 or T4A Supplementary slips on line 206 of your 1994 return.

What does your PA affect?

Your PA for a year will usually reduce your RRSP deduction limit for the following year. Your PA does not affect your income. If you contribute to registered retirement savings plans (RRSPs), your PA may indirectly affect the income taxes you pay or the refund you receive for the following year, because it reduces your RRSP deduction limit for the following year. For information on how to calculate your RRSP deduction limit, see "Calculating your 1994 RRSP deduction limit." on page 14.

Past-service pension adjustments (PSPAs)

The following is an overview of PSPAs. If you have any questions about how PSPAs are calculated, or why you have a PSPA, ask your employer. For more details, see "Your 1994 past–service pension adjustment (PSPA) and similar amounts" on page 15.

What is a PSPA?

A PSPA arises when a benefit for a previous period of pensionable service of a member is improved or when new past service is credited to a member. A PSPA is the sum of the additional pension credits that would have been included in the member's PA if the upgraded benefits had actually been provided, or the additional service credited, in those previous years.

PSPAs can occur under a defined-benefit provision of an RPP. A PSPA will not occur on past-service benefits provided for service you performed in 1989 or earlier years.

A PSPA will usually reduce your RRSP deduction limit for the year it is reported. For information on how to calculate your RRSP deduction limit, see "Calculating your 1994 RRSP deduction limit" on page 14.

Types of PSPAs

The plan administrator calculates your PSPA and determines whether we have to certify the PSPA before the RPP can provide the past-service benefits related to the PSPA. This is because there are two types of PSPAs: **certifiable PSPAs**, and PSPAs that are **exempt from certification** (exempt PSPAs). In most cases, the plan administrator has to report to us each PSPA whether it is an exempt PSPA or a certifiable PSPA.

Both types of PSPAs are calculated the same way. The difference between a certifiable PSPA and an exempt PSPA is primarily the way they are reported to us. Also, for PSPAs that have to be certified, certain rules have to be met before we can certify the past-service benefits. These rules are explained under the heading "Certifiable PSPAs," on this page.

Cost of past-service benefits

The amount it costs you to pay for past-service benefits will not likely equal the PSPA associated with the benefits, since a PSPA measures the value of the past-service benefits, rather than how much it costs to fund the benefits. Usually, you can pay for the cost of past-service benefits by making a lump-sum contribution, or by making instalment contributions. In addition, you can usually transfer **directly** amounts from certain other registered plans. These transfers are called qualifying transfers. They reduce the PSPA amount that your plan administrator has to report to us.

Qualifying transfers — In general, a qualifying transfer is a direct transfer of a lump-sum amount from an **unmatured RRSP** (i.e., an RRSP that is not paying you retirement income), a money-purchase provision of an RPP, or a DPSP. A qualifying transfer is made by you to pay for part or all of the cost of the past-service benefits related to the PSPA. If you make a qualifying transfer, the amount transferred will reduce the PSPA amount that the plan administrator has to report. Your qualifying transfer amount is not reported as income and cannot be deducted. Qualifying transfers cannot be made to fund the cost of the past-service benefits related to PSPAs under foreign plans or specified-retirement arrangements, or a similar amount under a government sponsored retirement arrangement.

Usually, you can make a qualifying transfer for a certifiable PSPA. However, you can also make a qualifying transfer for an exempt PSPA if you have to pay part of the cost of the past-service benefits.

Exempt PSPAs

Exempt PSPAs will usually occur if all or almost all plan members receive benefit upgrades on a past-service basis. In most cases, when an employer provides past-service benefits and there is an exempt PSPA that is greater than zero, the plan administrator has to report the PSPA to us and to the plan member. To report exempt PSPAs, plan administrators have to use a T215 Supplementary, *Past Service Pension Adjustment (PSPA) Exempt From Certification.* **Do not attach the T215 Supplementary slip to your return.**

Certifiable PSPAs

A certifiable PSPA usually occurs if you, as a plan member, decide to purchase a period of past service that is pensionable past service under your RPP.

Most PSPAs that are greater than zero and do not meet the conditions for exemption outlined under "Exempt PSPAs" on this page, have to be certified by us. We have to certify the PSPA related to the past-service benefits before you have the right to receive the benefits under the plan.

Your plan administrator will apply to have your PSPA certified by submitting a completed Form T1004, *Applying for the Certification of a Provisional PSPA*, to us. We will apply a certification formula to your PSPA, and if the total of this calculation is equal to or more than this PSPA, we will grant certification.

What happens if we cannot certify your PSPA?

When the result of the formula, which we referred to in the previous paragraph, is less than your PSPA, we will tell you directly that the past service benefits cannot be provided unless you agree to make a qualifying RRSP withdrawal. We will send you Form T1006, *Designating an RRSP Withdrawal as a Qualifying Withdrawal*, which you can use to designate a qualifying withdrawal. This form should be completed and returned to us within 30 days. You can get Form T1006 from your income tax office.

To speed up the certification process, your plan administrator may review the certification formula before sending Form T1004 to us. If the plan administrator knows that we will not approve the application, the administrator may ask you in advance if you want to designate an RRSP qualifying withdrawal. If you choose to do so, the administrator may ask you to complete Form T1006 to be sent to us with the certification request. If you cannot or choose not to make an RRSP qualifying withdrawal, we will deny the certification request.

Qualifying withdrawal — In general, a qualifying withdrawal is an amount you withdraw from your RRSP and include in your income for the year it is withdrawn. A number of conditions have to be met before we consider the amount to be a qualifying withdrawal. If these conditions are met, you can designate the withdrawal and we can certify the PSPA. These conditions are outlined in Area III of Form T1006 that you use to designate a qualifying withdrawal.

Net PSPA

Your net PSPA for 1994 reduces the amount of RRSP contributions you can deduct for 1994. Your 1994 net PSPA is the total of your exempt PSPAs (box 2 of your T215 Supplementary slip) and certified PSPAs for the year (copy 2, Form T1004, Area III), **minus** your RRSP qualifying withdrawals (Form T1006, Area III) that you designated for a PSPA to be certified in the year.

Under proposed law, if you participate in a Government Sponsored Retirement Arrangement, your net PSPA may also include amounts similar to PSPAs.

You can find your 1994 RRSP deduction limit on your 1993 *Notice of Assessment* or *Notice of Reassessment*. If you receive a 1994 T215 Supplementary slip or a certified Form T1004 after we sent you your notice, your 1994 RRSP deduction limit may be reduced. In such a case, we will send you Form T1028, *RRSP Contribution Limit Statement* and give you your revised 1994 RRSP deduction limit when we have updated our records. If you do not receive Form T1028, and you want to confirm your 1994 RRSP deduction limit, call or visit your income tax office.

Chapter 2
Registered Retirement Savings Plans (RRSPs)

This chapter gives you information about RRSPs. Each section begins with a brief introduction to help you determine if that section applies to you.

Contributing to an RRSP

This section applies to you if you contribute to an RRSP. It will help you determine the maximum RRSP deduction you may claim on line 208 of your 1994 return based on your RRSP deduction limit shown on your 1993 *Notice of Assessment* or *Notice of Reassessment*.

What is an RRSP?

An RRSP is a retirement savings plan that is registered with us. It is a contract between an individual (annuitant) and a plan issuer. Only the annuitant or the annuitant's spouse may contribute deductible amounts to the plan. In return, the plan issuer will provide a retirement income to the annuitant when the plan matures.

Examples of plan issuers include trust companies, banks, credit unions, and life insurance companies.

There are different types of RRSPs. These include trusteed plans, depositary plans, and insured plans. Self-directed RRSPs, which we describe more fully on page 22 under the heading "Self-directed RRSPs", are trusteed plans that allow you to make the investment decisions yourself. Generally, all RRSPs are treated the same way for tax purposes. If you want more details about the different types of RRSPs, contact your financial institution.

Can you contribute to an RRSP?

You can make deductible contributions to your RRSP up to the end of the year in which you reach age 71, or to an RRSP for your spouse up to the end of the year in which your spouse reaches age 71. The amount you can deduct for these contributions is generally based on your RRSP deduction limit.

Your RRSP deduction limit for 1994 is shown on your 1993 *Notice of Assessment* or *Notice of Reassessment* and is called the "RRSP contribution limit." Note that for the rest of this chapter, the term RRSP contribution limit is called the "RRSP deduction limit."

If you do not have an RRSP deduction limit, you may still be able to contribute to your own RRSP or, in some cases, to an RRSP for your spouse if you have eligible types of income that can be transferred to RRSPs. For details about deducting contributions for income you transfer to RRSPs, see Chapter 4, "Transfers to Registered Plans or Funds and Annuities," which starts on page 31.

Tax Tip

Although you cannot contribute to your RRSP in 1994 if you were 72 or older at any time in the year, (even if you have an RRSP deduction limit), you can contribute to your spouse's RRSP up to the end of the year in which your spouse turns 71. For more information, see "Deducting your contributions to a spousal RRSP" on page 13. If you receive periodic payments from a registered pension plan (RPP) or a deferred profit-sharing plan (DPSP) in 1994, you can transfer up to a maximum of $6,000 to your spouse's RRSP by the earlier of March 1, 1995, and the end of the year in which your spouse reaches age 71. For more details, see "Transfer of your periodic RPP or DPSP payments to your spouse's RRSP" on page 32.

How much can you deduct for your RRSP contributions?

You will find the amount you can deduct for RRSP contributions on your 1993 *Notice of Assessment*. The RRSP deduction limit shown on the notice is generally the maximum you can deduct on your 1994 return for RRSP contributions you made to your RRSP or your spouse's RRSP.

If we reassessed your 1993 return, the RRSP deduction limit shown on your 1993 *Notice of Reassessment* is generally the maximum amount you can deduct on your 1994 return. If your RRSP deduction limit has changed for other reasons, we will send you Form T1028, *RRSP Contribution Limit Statement,* giving you the new limit.

If you do not have a copy of your notice or Form T1028, you can find out the amount of your RRSP deduction limit by calling our automated Tax Information Phone Service (T.I.P.S.) number or by contacting your income tax office. For more information on T.I.P.S., see "Tax Information Phone Service (T.I.P.S.)" on page 2.

Note

Your 1994 RRSP deduction limit, shown on your 1993 *Notice of Assessment* or *Notice of Reassessment*, does not include your deduction for RRSP contributions you made for certain income you receive and transfer to RRSPs. For more details on transfers, see Chapter 4, "Transfers to Registered Plans or Funds and Annuities" which starts on page 31.

If you want more details about how your RRSP deduction limit is calculated, see "Calculating your 1994 RRSP deduction limit" on page 14.

Which contributions can you deduct for 1994?

For 1994, you can deduct the RRSP contributions you made from January 1, 1991, to March 1, 1995. You can do this if the contributions you deduct for 1994 were not deducted in any other year and if they are not more than your RRSP deduction limit for 1994. Although you can no longer contribute to your RRSP in 1994 if you were 72 or older at any time in the year, you may still deduct any contributions you made after December 31, 1990 and before 1994 that you did not deduct in a prior year.

Note

You cannot deduct the interest expense related to a loan you took out to make an RRSP contribution.

Home Buyers' Plan — Under proposed legislation, if you made contributions to your RRSP or to your spouse's RRSP after March 1,1994, and part or all of those contributions were withdrawn under the Home Buyers' Plan less than 90 days after they were made, part or all of those contributions may not be deductible in calculating your income for any year. For more information, see "Is your 1994 RRSP deduction affected by your or your spouse's participation in the Home Buyers' Plan?" on page 19.

Note

You may have to pay a tax on contributions you made in 1991 or a later year, if you did not deduct those contributions for the year contributed or for the immediately preceding year. If you want to know more about this tax, see "Tax on excess RRSP contributions made in 1991 and later years" on page 21.

Where and how do you claim your RRSP contributions on your return?

In most cases, you can deduct the RRSP contributions you made on line 208 of your return up to the limits explained earlier in this section. Attach the official receipt that supports the amount you are deducting.

Your RRSP issuer will usually give you an official receipt for the amounts you contributed to the plan. You should not get an official receipt if the amounts you contributed to the RRSP were transferred on a direct plan-to-plan basis, and the transfer was one for which you do not have to report any income and cannot deduct any amount.

If you do not get your official receipt before the deadline for filing your return, complete and file your return without deducting your contribution. When you get your official receipt, refer to your 1994 *General Income Tax Guide* for instructions on how to claim your deduction.

If you attached your official receipt to a return for a previous year, and you did not deduct all of that contribution in a previous year, ensure you complete new Schedule 7, *Registered Retirement Savings Plan (RRSP) Transfers and Unclaimed Contributions.*

Note

If you contributed to your spouse's RRSP, the official receipt should show your name as the contributor and your spouse's name as the annuitant.

Keeping track of your undeducted RRSP contributions

You do not have to deduct on your 1994 return, contributions you made to your RRSP or your spouse's RRSP for 1994. If you do not deduct these contributions in 1994, you can deduct them in a later year, subject to your RRSP deduction limit.

If you made contributions to your RRSP or your spouse's RRSP from January 1, 1991 to March 1, 1995, that were not deducted on your 1990, 1991, 1992, 1993, or 1994 returns, you must attach to your 1994 return new Schedule 7, *Registered Retirement Savings Plan (RRSP) Transfers and Unclaimed Contributions.* Schedule 7 will help you keep track of your undeducted RRSP contributions. You can find a copy of Schedule 7 in your *General Income Tax Guide.*

Spousal RRSPs

This section applies to you if you contribute to an RRSP for your spouse. Refer to the definition of "spouse" in the Glossary on page 44 for the meaning of the terms spouse, married, or marriage.

What is a spousal RRSP?

A spousal RRSP is:

- any of your spouse's RRSPs to which you contributed for your spouse;
- any of your spouse's RRSPs that received payments or transfers of property from your spouse's spousal RRSPs; or
- any of your spouse's RRSPs that received payments or transfers of property from your spouse's spousal RRIFs.

The following example shows that a spousal RRSP retains its status as spousal regardless of how many times funds or property are transferred between the RRSPs or RRIFs.

Example

Martha is married to Peter. She made contributions to RRSPs for Peter from 1980 until 1991. These RRSPs are spousal RRSPs because Martha contributed to them for Peter. In February 1991, Peter transferred all of the funds in these RRSPs to a new RRSP. This new RRSP is still a spousal RRSP since it received payments from RRSPs to which Martha contributed for Peter.

If Peter transfers funds from this new RRSP to other RRSPs or Registered Retirement Income Funds (RRIFs), the other RRSPs or RRIFs will also be spousal plans.

Deducting your contributions to a spousal RRSP

Generally, the total amount you can deduct for 1994 contributions you make to your spouse's RRSP and your RRSP cannot be more than your 1994 RRSP deduction limit. For example, if your 1994 RRSP deduction limit is $9,500, and you deduct $4,000 for 1994 for contributions to your RRSP, the most you can deduct for 1994 spousal RRSP contributions is $5,500.

Example

Ted is 74, married, and a self-employed commission salesman. His wife, Wendy, is 66. Ted's 1994 RRSP deduction limit is $9,000 based on his 1993 *Notice of Assessment.* Ted cannot contribute to his RRSP for 1994 because he is over 71. He can, however, contribute up to $9,000 to Wendy's RRSP for 1994 since she is under 72. Ted contributes $9,000 to Wendy's RRSP in 1994 and deducts this amount on line 208 of his 1994 return.

Example

Harry and Cathy have no children and started living together on June 10, 1994. On February 14, 1995, Harry contributes $5,000 to Cathy's RRSP. Harry cannot deduct this contribution because they had not lived together as husband and wife for a period of at least 12 continuous months ending before February 14, 1995.

Tax Tip

If you receive periodic payments from a registered pension plan (RPP) or a deferred profit-sharing plan (DPSP) in 1994, you may be able to deduct up to an additional $6,000 if you contribute to your spouse's RRSP no later than March 1, 1995. If you want to know more about this deduction, see "Transfer of your periodic RPP or DPSP payments to your spouse's RRSP" on page 32.

Contributions made by a legal representative to a surviving spouse's RRSP

After an individual dies, his or her legal representative can make a spousal RRSP contribution on behalf of the deceased individual in the year of death or no later than 60 days after the end of that year. Such contributions can be claimed on the deceased's return, subject to the deceased's RRSP deduction limit for the year of death.

Example

Jim died in August 1994. His 1994 RRSP deduction limit is $7,000. Before he died, Jim did not contribute to his or his wife Heidi's RRSPs for 1994. Heidi is 68 years of age in 1994. Jim's legal representative can contribute on Jim's behalf up to $7,000 to Heidi's RRSP in 1994 or in the first 60 days of 1995. If the legal representative does contribute, an RRSP deduction of up to $7,000 can be claimed on line 208 of Jim's 1994 return.

Tax Tip

For 1992, 1993, and 1994, after an individual dies, his or her legal representative can transfer to the surviving spouse's RRSP up to $6,000 of periodic payments received in the year of death from the deceased's RPP or DPSP. This transfer has to be made in the year of death or no later than 60 days after the end of that year. An RRSP deduction up to $6,000 can be claimed on the deceased's return for such a transfer. For more information, see "Transfer of your periodic RPP or DPSP payments to your spouse's RRSP" on page 32.

Note

If your spouse (the annuitant) intends to withdraw funds from a spousal RRSP or a spousal RRIF, you (the contributor) may have to report in your income, all or part of the amount withdrawn. Specifically, if you contributed amounts to any spousal RRSP in 1992, 1993, or 1994, you may have to include in your 1994 income all or part of the amount withdrawn by your spouse in 1994. For more information, see "Calculating the income you and your spouse have to report" on page 26.

Calculating your 1994 RRSP deduction limit

Read this section if you want to know how we calculated your 1994 RRSP deduction limit. If you want to know how to calculate your 1995 RRSP deduction limit, see "Calculating your 1995 RRSP deduction limit" on page 21.

Your 1994 RRSP deduction limit is shown on your 1993 *Notice of Assessment* that we sent you after we processed your 1993 tax return. We determined your limit from information on your 1993 return, and from information we keep on our records. If any of that information changes, your 1994 RRSP deduction limit may also change. In most cases, we will tell you of any change to your 1994 RRSP deduction limit. If you think your 1994 RRSP deduction limit has changed, and we have not told you about the change, you can contact your income tax office to confirm your correct 1994 RRSP deduction limit.

Amounts you use to calculate your 1994 RRSP deduction limit

We discuss below the following items that you use to calculate your 1994 RRSP deduction limit:

- your 1993 unused RRSP deduction room;
- the RRSP dollar limit for 1994 or 18% of your earned income for RRSP purposes for 1993, whichever amount is less (for 1994, the dollar limit is $13,500);
- your pension adjustment (PA) or similar amount for 1993; and
- your net past-service pension adjustment (PSPA) or similar amount for 1994.

Your 1993 unused RRSP deduction room

Your unused RRSP deduction room is your RRSP deduction limit from 1991 and later years that you did not use for those years. You can carry forward your unused RRSP deduction room and use it for later years.

Example

Reg's 1992 RRSP deduction limit is zero. Reg's unused RRSP deduction room at the end of 1992 is zero. His 1993 RRSP deduction limit was $7,560. On his 1993 return, he deducted $2,000 for RRSP contributions he made in 1993. Reg calculates his 1993 unused RRSP deduction room that he can carry forward to 1994 as follows:

1992 unused RRSP deduction room	0
Plus: 1993 RRSP deduction limit	7,560
Total	7,560
Minus: RRSP contributions deducted for 1993	2,000
1993 unused RRSP deduction room	5,560

Reg's carries forward his 1993 unused RRSP deduction room of $5,560 to 1994, and includes it in the calculation of his 1994 RRSP deduction limit.

Your unused RRSP deduction room at the end of 1998 may be reduced because of rules in the *Income Tax Act* that limit the period of the carry-forward.

Your 1993 earned income

The second amount you use to calculate your 1994 RRSP deduction limit is 18% of your 1993 earned income. Earned income includes only certain types of income amounts. Your 1993 earned income is shown on your 1993 *Notice of Assessment* or *Notice of Reassessment.*

If you want to calculate your earned income for 1993, use Form T1023, *RRSP Deduction Limit — Calculating Your Earned Income for 19__*. You can find one copy of Form T1023 in the middle of this guide.

Both residents and non-residents can use Form T1023. If you are unsure whether you were resident or considered to be resident in Canada for 1993, see Interpretation Bulletin IT-221, *Determination of an Individual's Residence Status,* or contact the International Taxation office at one of the following telephone numbers:

- calls within the Ottawa area: 613-952-3741
- calls from other areas in Canada or the U.S. (including Alaska and Hawaii): 1-800-267-5177
- calls from outside Canada and the U.S.: 613-952-3741

Your 1993 pension adjustment (PA) and similar amounts

A third amount that affects your 1994 RRSP deduction limit is your 1993 PA. As a general rule, your 1993 PA, described in "Pension adjustments (PAs)" on page 9, will reduce your 1994 RRSP deduction limit.

You can find your 1993 PA in box 52 of your 1993 T4 Supplementary slip, or in box 34 of your 1993 T4A Supplementary slip.

Under proposed law, your 1994 RRSP deduction limit may also be reduced by a PA or similar amount if you participated in a foreign plan, a specified retirement arrangement, or a government-sponsored retirement arrangement in 1993. For information on whether this applies to you, see the definition of "Foreign plan," "Specified retirement arrangement," or "Government-sponsored retirement arrangement" in the Glossary which starts on page 44, or contact your employer. If your employer does not carry on a business in Canada, contact your income tax office.

Your 1994 past-service pension adjustment (PSPA) and similar amounts

The final amount that you need to calculate your 1994 RRSP deduction limit is your 1994 net PSPA. A 1994 net PSPA, described in "Past-service pension adjustments (PSPAs)" on page 10, will reduce your 1994 RRSP deduction limit.

Your 1994 net PSPA is the total of:

- your PSPAs shown in box 2 of a T215 Supplementary, *Past Service Pension Adjustment (PSPA) Exempt From Certification,* and on copy 2, Area III of certified Form T1004, *Applying for the Certification of a Provisional PSPA,*

minus:

- the amount of your qualifying withdrawals recorded in Area III of Form T1006, *Designating an RRSP Withdrawal as a Qualifying Withdrawal.*

Your 1994 net PSPA is included in the calculation of your RRSP deduction limit shown on your 1993 *Notice of Assessment* or *Notice of Reassessment.*

In some cases, if you receive a T215 Supplementary slip or Form T1004 after we sent you your 1993 *Notice of Assessment* or *Notice of Reassessment,* the amounts on these forms may not be included on the notice. You may want to compare the amounts on the forms to your notice to confirm your 1994 RRSP deduction limit. However, in most cases, we will send you Form T1028, *RRSP Contribution Limit Statement* to give you your new limit.

Example

Dawn received her 1993 *Notice of Assessment* on June 12, 1994. The notice indicates that she has a 1994 RRSP deduction limit of $2,470 and does not include any PSPA in the calculation. Dawn is a member of her employer's RPP. On September 12, 1994, Dawn received a T215 Supplementary slip from the administrator of the RPP. Box 2 of this slip showed that Dawn had a PSPA of $450. Dawn did not receive Form T1028 advising her of her new limit. Since the $450 PSPA was not included in the calculation of her 1994 RRSP deduction limit on her *1993 Notice of Assessment,* she reduces the $2,470 shown on her notice by the amount in box 2 of the T215 Supplementary slip. Dawn's revised RRSP deduction limit is $2,020($2,470 – $450).

Under proposed law, your 1994 RRSP deduction limit may also be reduced by a 1994 net PSPA or similar amount if you participated in a foreign plan, a specified retirement arrangement, or a government-sponsored retirement arrangement in 1994 and your past-service benefit accruing under the plan was increased in 1994. For more information on whether this applies to you, see the definition of "Foreign plan," "Specified retirement arrangement," or "Government-sponsored retirement arrangement" in the Glossary which starts on page 44, or contact your employer.

For more information on PSPAs, see "Past-service pension adjustments (PSPAs)" on page 10.

Once you have determined all amounts used to calculate your 1994 RRSP deduction limit, you can calculate your limit by using the chart called "1994 RRSP Deduction Limit Chart" found in the middle of this guide and the examples on pages 16 to 18.

Example

Mark has worked six years for a company that has an RPP, and he has always been resident in Canada. Mark's 1993 PA was $6,200. He did not have a net PSPA for 1994. His 1993 earned income was $50,000. Mark's 1993 RRSP contribution limit shown on his 1992 *Notice of Assessment* was $7,290. Mark contributed $4,100 to an RRSP during 1993 and deducted that amount on his 1993 return. Mark contributed $4,800 to his RRSP in September 1994. He had not made any contributions before then that he had not already deducted. Using the chart below, Mark calculates the amount he can deduct for 1994 as follows:

Step 1 — Calculating your 1994 RRSP deduction limit

1. Enter your RRSP deduction limit for 1993.	7,290	1			
2. Enter the amount of RRSP contributions you deducted on line 208 of your 1993 return. *	4,100	2			
3. Line 1 **minus** line 2: This is your 1993 unused RRSP deduction room. **	3,190		→	3,190	3
4. 18% × 1993 earned income of $50,000 (shown on your 1993 *Notice of Assessment*).	9,000	4			
5. 1994 RRSP dollar limit.	13,500	5			
6. Enter the amount on line 4 or line 5, whichever is less.	9,000		→	9,000	6
7. Enter your 1993 PA (total of box 52 of your 1993 T4 and box 34 of your 1993 T4A Supplementary slips).***				6,200	7
8. Line 6 **minus** line 7 (if the amount is negative, enter "0").				2,800	8
9. Enter your exempt PSPA for 1994 (box 2 of your T215 Supplementary slip).	0	9			
10. Enter your certified PSPA for 1994 (line (A) in Area III of Form T1004).	0	10			
11. Line 9 **plus** line 10.	0		→	0	11
12. Enter your qualifying withdrawals for 1994 (Area III of Form T1006).				0	12
13. Line 11 **minus** line 12: This is your 1994 net PSPA (this amount can be negative).				0	13
14. Enter the amount from line 3.	3,190	14			
15. Enter the amount from line 8.	2,800	15			
16. Line 14 **plus** line 15.	5,990		→	5,990	16
17. Enter the amount from line 13.				0	17
18. Line 16 **minus** line 17: This is your 1994 RRSP deduction limit (if negative enter "0").				5,990	18

Step 2 — Your 1994 unused RRSP deduction room

19. Enter the amount from line 16.	5,990	19			
20. Enter the amount from line 13.	0	20			
21. Line 19 **minus** line 20 (this amount can be negative).	5,990		→	5,990	21
22. Enter the amount of RRSP contributions* you deduct on line 208 of your 1994 return (cannot be more than the amount on line 18).****				4,800	22
23. Line 21 **minus** line 22: This is your 1994 unused RRSP deduction room (this amount can be negative).				1,190	23

Mark can deduct $4,800 on line 208 of his 1994 return and has an unused RRSP deduction room to carry forward to 1995 of $1,190.

* Do not include amounts you deduct for transfers of payments or benefits to an RRSP.

** This amount can be a negative amount.

*** If you are a connected person or a participant in a foreign plan, you may have to enter an amount on line 7 in addition to amounts reported on your T4 or T4A Supplementary slips. For more information, see "Connected persons' 1994 RRSP deduction limit" on page 18 or "Your 1993 pension adjustment (PA) and similar amounts" on page 15.

**** If you contributed to the Saskatchewan Pension Plan (SPP) during 1994, you may have to enter an amount on line 22 for SPP contributions deducted for 1994. For more information, see "Saskatchewan Pension Plan contributions" on page 23. If you made contributions to your RRSP or to your spouse's RRSP less than 90 days before they are withdrawn under the Home Buyers' Plan, a portion or all of those contributions may not be deductible in calculating your income for any year. For more information, see "Is your 1994 RRSP deduction affected by your or your spouse's participation in the Home Buyers' Plan?" on page 19.

Your negative unused RRSP deduction room

In some instances, your net PSPA may reduce your RRSP deduction limit to a negative amount. Although your RRSP deduction limit for a year cannot be less than zero, the unused RRSP deduction room that you have to carry forward can be a negative amount. The amount that is less than zero is called negative unused RRSP deduction room. This negative amount will reduce your subsequent year RRSP deduction limit.

The following example demonstrates how a net PSPA affects your unused RRSP deduction room and your subsequent year RRSP deduction limit.

Example

Arthur became a member of his employer's defined-benefit RPP on January 25, 1994, after completing one year of service. His 1993 service was pensionable service under his employer's RPP. Arthur decided to purchase this past service. The net PSPA amount for the 1993 past service was $6,000 and this amount was reported on Form T1004, *Applying For the Certification of a Provisional PSPA*. He had no PA for 1993.

In 1993, Arthur's earned income was $20,000. Arthur's 1993 RRSP deduction limit shown on his 1992 *Notice of Assessment* is $2,100. Arthur contributed $1,500 to an RRSP on May, 22, 1993 and deducted this amount for 1993. Arthur contributed $3,600 to an RRSP on July 15, 1994. Using the chart below, Arthur calculates his 1994 RRSP deduction limit and negative unused RRSP deduction room.

Step 1 — Calculating your 1994 RRSP deduction limit

1. Enter your RRSP deduction limit for 1993.	2,100	1			
2. Enter the amount of RRSP contributions you deducted for 1993.	1,500	2			
3. Line 1 **minus** line 2: This is your 1993 unused RRSP deduction room.	600		→	600	3
4. 18% × 1993 earned income of 20,000 (shown on your 1993 *Notice of Assessment*).	3,600	4			
5. 1994 RRSP dollar limit.	13,500	5			
6. Enter the amount on line 4 or line 5, whichever is less.	3,600		→	3,600	6
7. Enter your 1993 PA (total of box 52 of your 1993 T4 and box 34 of your 1993 T4A Supplementary slips).				0	7
8. Line 6 **minus** line 7 (if the amount is negative, enter "0").				3,600	8
9. Enter your exempt PSPA for 1994 (box 2 of your T215 Supplementary slip).	0	9			
10. Enter your certified PSPA for 1994 (line (A) in Area III of Form T1004).	6,000	10			
11. Line 9 **plus** line 10.	6,000		→	6,000	11
12. *Enter your qualifying withdrawals for 1994 (Area III of Form T1006).*				0	12
13. Line 11 **minus** line 12: This is your 1994 net PSPA (this amount can be negative).				6,000	13
14. Enter the amount from line 3.	600	14			
15. Enter the amount from line 8.	3,600	15			
16. Line 14 **plus** line 15.	4,200		→	4,200	16
17. Enter the amount from line 13.				6,000	17
18. Line 16 **minus** line 17: This is your 1994 RRSP deduction limit (if negative enter "0").				0	18

Step 2 — Your 1994 unused RRSP deduction room

19. Enter the amount from line 16.	4,200	19			
20. Enter the amount from line 13.	6,000	20			
21. Line 19 **minus** line 20 (this amount can be negative).	(1,800)		→	(1,800)	21
22. Enter the amount of RRSP contributions you deduct for 1994 (cannot be more than the amount on line 18).				0	22
23. Line 21 **minus** line 22: This is your 1994 unused RRSP deduction room (this amount can be negative).				(1,800)	23

Arthur notes that his RRSP deduction limit is zero for 1994. Step 2 shows that he has negative unused RRSP deduction room at the end of 1994 of **$1,800 ($4,200 – $6,000)**. Arthur has to carry forward the negative amount of $1,800 to 1995. Arthur will enter this amount on line 3 of the chart for 1995. Refer to the next page for the calculation of Arthur's 1995 RRSP deduction limit.

Example

For 1994, Arthur has earned income of $45,000 and a PA of $3,800. Arthur contributes $6,000 to an RRSP on September 12, 1995. Arthur wants to deduct the maximum RRSP allowable for 1995. Arthur enters "0" on lines 1 and 2 of the chart below (from lines 18 and 22 of the chart on the previous page) and enters his 1994 unused RRSP deduction room from line 23 of the chart on the previous page on line 3. Arthur then completes the chart below to calculate his 1995 RRSP deduction limit.

Step 1 — Calculating your 1995 RRSP deduction limit

1. Enter your RRSP deduction limit for 1994.	0	1			
2. Enter the amount of RRSP contributions you deducted for 1994.	0	2			
3. Line 1 **minus** line 2: This is your 1994 unused RRSP deduction room.			→	(1,800)	3
4. 18% × 1994 earned income of 45,000 (shown on your 1994 *Notice of Assessment*).	8,100	4			
5. 1995 RRSP dollar limit.	14,500	5			
6. Enter the amount on line 4 or line 5, whichever is less.	8,100		→	8,100	6
7. Enter your 1994 PA (total of box 52 of your 1994 T4 and box 34 of your 1994 T4A Supplementary slips).				3,800	7
8. Line 6 **minus** line 7 (if the amount is negative, enter "0").				4,300	8
9. Enter your exempt PSPA for 1995 (box 2 of your T215 Supplementary slip).	0	9			
10. Enter your certified PSPA for 1995 (line (A) in Area III of Form T1004).	0	10			
11. Lines 9 **plus** line 10.	0		→	0	11
12. Enter your qualifying withdrawals for 1995 (Area III of Form T1006).				0	12
13. Line 11 **minus** line 12: This is your 1995 net PSPA (this amount can be negative).				0	13
14. Enter the amount from line 3.	(1,800)	14			
15. Enter the amount from line 8.	4,300	15			
16. Line 14 **plus** line 15.	2,500		→	2,500	16
17. Enter the amount from line 13.				0	17
18. Line 16 **minus** line 17: This is your 1995 RRSP deduction limit (if negative enter "0").				2,500	18

Step 2 — Your 1995 unused RRSP deduction room

19. Enter the amount from line 16.	2,500	19			
20. Enter the amount from line 13.	0	20			
21. Line 19 **minus** line 20 (this amount can be negative).	2,500		→	2,500	21
22. Enter the amount of RRSP contributions you deduct for 1995 (cannot be more than the amount on line 18).				2,500	22
23. Line 21 **minus** line 22: This is your 1995 unused RRSP deduction room (this amount can be negative).				0	23

Arthur can deduct $2,500 on line 208 of his 1995 return (he contributed a total of $9,600 that he had not previously deducted: $3,600 in 1994 and $6,000 in 1995). He has undeducted RRSP contributions of $7,100 that he may deduct for future years ($9,600 – $2,500). Arthur has no unused RRSP room to carry forward to 1996.

Connected persons' 1994 RRSP deduction limit

If you are a person connected with your employer, a rule may apply to you and may reduce your 1994 RRSP deduction limit. You are a person connected with your employer for 1994 if, at any time in 1990 or a later year,

- you owned, directly or indirectly, at least 10% of any class of the issued shares of your corporate employer, or of a corporation related to your employer;
- you did not deal at arm's length with your employer, which generally means you were related to your employer; or
- you performed services for a corporate employer that would be carrying on a personal services business if certain conditions were met.

If you are such a person, and your 1991, 1992, or 1993 RRSP deduction limit was not reduced by this rule, you will have to reduce your 1994 RRSP deduction limit by **$11,500** or **18% of your 1990 earned income**, whichever is less, if:

- you became a member of your employer's registered pension plan (RPP) in 1994, or you began to earn lifetime retirement benefits in 1994 under a defined-benefit provision of your employer's RPP following a period in which you did not earn such benefits; and
- you did not have a pension adjustment (PA) for 1990 that was greater than zero.

Note

The rule that reduces the RRSP deduction limit of a connected person applies only once. Your 1994 limit will not be reduced if your 1991, 1992, or 1993 RRSP deduction limit was reduced by this rule. If this rule applies to you in 1994, your employer will give you a copy of T1007, *Connected Person Information Return.*

Is your 1994 RRSP deduction affected by your or your spouse's participation in the Home Buyers' Plan?

The Home Buyers' Plan allows you to use your RRSP funds to buy or build a qualifying home. Under proposed law, if you participate in the Home Buyers' Plan after March 1, 1994, certain rules limit your RRSP deduction for contributions you made to your RRSP after March 1, 1994 and during the 89-day period immediately prior to your withdrawal under the Home Buyers' Plan. Under these rules, part or all of the contributions made during that period may not be deductible for any year.

The amount that is not deductible is the amount by which your contributions to an RRSP during the 89-day period immediately prior to your withdrawal from that RRSP, are more than the fair market value of that RRSP after your withdrawal.

You can use the chart on this page to determine if any part of the contribution you made to your RRSP is not deductible for any year.

The same rule applies if you contributed to your spouse's RRSP after March 1, 1994, and during the 89-day period immediately prior to your spouse's withdrawal from the same RRSP under the Home Buyers' Plan. You and your spouse can use the chart on page 20 to determine if any part of the contributions you or your spouse made to your spouse's RRSP are not deductible for any year.

Calculating the amount of RRSP contributions you made to your RRSP that are not deductible for any year

- Use this chart if you are the only contributor to your RRSP and you participate in the Home Buyers' Plan after March 1, 1994, but before January 1, 1995.
- *Use a separate chart for each withdrawal you make under the Home Buyers' Plan.*
- If you contribute to your spouse's RRSP, use the chart on page 20 to determine the part of those contributions that you cannot deduct for any year.

RRSP number	________	
1. Amounts you contributed to the above RRSP after March 1, 1994, and during the 89-day period immediately prior to your withdrawal under the Home Buyers' Plan from that RRSP.	________	1*
2. Fair market value of the property held in the above RRSP after your withdrawal.	________	2
3. Line 1 **minus** line 2 (if negative, enter "0"). This is the amount of your contribution to the above RRSP that you cannot deduct for any year.	________	3

* **Do not include:**
- any amounts for which you did not receive an official RRSP receipt;
- contributions you made for amounts that you transferred to this RRSP (you would have entered these amounts on line 1 of Schedule 7, *Registered Retirement Savings Plan (RRSP) Transfers and Unclaimed Contributions)*;
- the excess amount that you withdrew from your RRSPs in connection with the certification of a provisional past-service pension adjustment (PSPA) that you recontributed to this RRSP in 1994 and for which you claim or will claim a deduction under subsection 146(6.1) of the *Income Tax Act*;
- an amount you contributed to this RRSP that was refunded to you as an undeducted amount (you may have completed Form T746, *Calculating Your Deduction for Refund of Undeducted or Excess RRSP Contributions*, or Form T3012A, *Tax Deduction Waiver on the Refund of Your Undeducted RRSP Contributions Made in 19__).*

Example

Ben contributed $5,000 to his RRSP number 234333 on April 15, 1994. On May 12, 1994, Ben withdrew $12,000 from this same RRSP to participate in the Home Buyers' Plan. After his withdrawal, the fair market value of the property held in the RRSP is $3,200. Ben completes the chart on page 19 and determines that of the $5,000 contributed during the 89-day period immediately prior to his withdrawal, $1,800 is not deductible for any year.

RRSP number	234333	
1. Amounts you contributed to the above RRSP after March 1, 1994, and during the 89-day period immediately prior to your withdrawal under the Home Buyers' Plan from that RRSP.	5,000	1
2. Fair market value of the property held in the above RRSP after your withdrawal.	3,200	2
3. Line 1 **minus** line 2 (if negative, enter "0"). This is the amount of your contribution to the above RRSP that you cannot deduct for any year.	1,800	3

Calculating the amount of RRSP contributions you or your spouse made to your RRSP that are not deductible for any year

- Use this chart if your spouse contributes to your RRSP and you participate in the Home Buyers' Plan after March 1, 1994, but before January 1, 1995.
- Use a separate chart for each withdrawal you make under the Home Buyers' Plan.

RRSP number		
1. Amounts you and your spouse contributed to the above RRSP after March 1, 1994 and during the 89-day period immediately prior to your withdrawal under the Home Buyers' Plan from that RRSP.		1*
2. Fair market value of the property held in the above RRSP after your withdrawal.		2
3. Line 1 **minus** line 2 (if negative, enter "0"). This is the amount of the contributions to the above RRSP that are not deductible for any year.		3**

* **Do not include:**

- any amounts for which you or your spouse did not receive an official RRSP receipt;
- contributions you made for amounts that you transferred to this RRSP (you would have entered these amounts on line 1 of Schedule 7, *Registered Retirement Savings Plan (RRSP) Transfers and Unclaimed Contributions*);
- contributions that your spouse made for amounts that he or she transferred to this RRSP (your spouse would have entered the amount on line 2 of his or her Schedule 7);
- the excess amount that you withdrew from your RRSPs in connection with the certification of a provisional past-service pension adjustment (PSPA) that you recontributed to this RRSP in 1994 and for which you claim or will claim a deduction under subsection 146(6.1) of the *Income Tax Act*;
- an amount you or your spouse contributed to this RRSP that was refunded to you or your spouse as an undeducted amount (you or your spouse may have completed Form T746, *Calculating Your Deduction for Refund of Undeducted or Excess RRSP Contributions*, or Form T3012A, *Tax Deduction Waiver on the Refund of Your Undeducted RRSP Contributions Made in 19__).*

** If both you and your spouse contributed to the above RRSP after March 1, 1994, and during the 89-day period immediately prior to your withdrawal under the Home Buyers' Plan, the earliest contributions made during this period are the non-deductible contributions.

Calculating your 1995 RRSP deduction limit

The information provided for calculating your 1994 RRSP deduction limit applies to 1995 as well. The chart in the middle of this guide can help you calculate your 1995 RRSP deduction limit.

Your undeducted RRSP contributions

This section applies to you if you did not or could not deduct all your RRSP contributions in the year you made them or the preceding year. You have to file new Schedule 7, *Registered Retirement Savings Plan (RRSP) Transfers and Unclaimed Contributions,* with your 1994 return if this applies to you. You can find Schedule 7 in your 1994 *General Income Tax Guide.*

Your undeducted RRSP contributions made in 1991 or a later year

If you have an undeducted contribution that you made in 1991 or a later year to your RRSP or your spouse's RRSP, you have two options. You can leave it in the plan, or you can withdraw it.

Example

Bill contributed $12,200 to his RRSP in 1994. Bill's RRSP deduction limit for 1994 was $8,300. Bill deducted $8,300 on line 208 of his 1994 income tax return. Bill had $3,900 of undeducted contributions ($12,200 – $8,300). Bill decides to leave the funds in his RRSP and intends to deduct the contribution in a later year.

If your undeducted RRSP contributions for years after 1990 total **more than $8,000,** you may have to pay a tax on part or all of these undeducted contributions. If you have a net PSPA for 1994 and you have **$8,000 or less** in undeducted RRSP contributions for the same period, you may have to pay a tax on those undeducted contributions. If you want to know more about this tax, see "Tax on excess RRSP contributions made in 1991 and later years" on this page.

How do you withdraw an undeducted contribution made in 1991 or a later year?

You can withdraw the undeducted RRSP contributions you made in 1991 or a later year **without having tax withheld** by completing Form T3012A, *Tax Deduction Waiver on the Refund of Your Undeducted RRSP Contributions Made in 19__.* You can obtain a copy of this form at your income tax office.

If you withdraw your undeducted contribution without using Form T3012A, the issuer of the plan is required to withhold tax.

The amount you withdraw is shown in box 20 of your 1994 T4RSP Supplementary slip and has to be reported as your income on line 129 of your return.

Note

If you over-contributed to an RRSP in 1990 or earlier years, you should get Form T3012, *Application for Refund of RRSP Excess Contributions Made in 19__,* or call your income tax office.

Can you claim a deduction for the undeducted amount you withdraw?

If you withdraw the undeducted contribution, you can deduct an amount to offset the withdrawn contribution that you include in your income if you meet the following conditions:

- You have contributed the RRSP contribution to your RRSP or to your spouse's RRSP, and you have not deducted it for any year.
- You or your spouse have received the undeducted RRSP contribution from an RRSP or RRIF:
  - in the year you contributed it;
  - in the following year; or
  - in the year that you were sent a *Notice of Assessment* for the year you contributed it, or in the following year.
- You have not designated the withdrawal of the undeducted RRSP contribution as a qualifying withdrawal for the purposes of having your past-service pension adjustment (PSPA) certified.
- No part of the withdrawn contribution can be a lump-sum payment from an RPP or certain DPSP amounts that were transferred directly to an RRSP.
- No part of the withdrawn contribution can be a lump-sum payment from a prescribed provincial plan (the Saskatchewan Pension Plan) that was transferred directly to an RRSP.
- It has to be reasonable for us to consider that:
  - you reasonably expected that you could fully deduct the RRSP contribution for the year you contributed it, or for the immediately preceding year; or
  - you did not make the undeducted RRSP contribution intending to later withdraw it and deduct an offsetting amount.

Note

If you or your spouse receive a payment for an undeducted RRSP contribution that you made, and you deduct an offsetting amount under the above rules, the undeducted RRSP contribution is not considered an RRSP contribution after you or your spouse receive the payment. Accordingly, you cannot deduct the amount as an RRSP contribution for any year.

If you withdrew your undeducted RRSP contributions based on an approved Form T3012A, simply attach a copy of that form to your return, and deduct the offsetting amount on line 232 of your return. Otherwise, to calculate the offsetting amount you can deduct for these contributions, complete Form T746, *Calculating Your Deduction for Refund of Undeducted or Excess RRSP Contributions.* You can find two copies of Form T746 in the middle of this guide.

Tax on excess RRSP contributions made in 1991 and later years

A tax of 1% per month applies to certain RRSP contributions you made in 1991 and later years. This tax applies to contributions that are calculated to be cumulative excess amounts.

You can use a T1-OVP, *1994 Individual Income Tax Return for RRSP Excess Contributions*, to calculate your cumulative excess RRSP contributions and the tax payable on this amount for 1994. Use the following chart to determine if you may have to complete a T1-OVP return for 1994.

Step 1

Do either of the following statements apply to you?

- you contributed amounts to your RRSP or your spouse's RRSP during the period of January 1, 1991 to December 31, 1994 that you did not and will not be deducting on your 1990, 1991, 1992, 1993, or 1994 returns; or
- a gift was made to your RRSP during the period of January 1, 1991 to December 31, 1994. A gift is any amount contributed to your RRSP by someone other than you or your spouse.

If you answer ***yes*** to either statement, go to Step 2.

If you answer ***no*** to both statements, you do not have to complete a T1-OVP return.

Step 2

Does your 1994 RRSP deduction limit shown on your 1993 *Notice of Assessment* or *Notice of Reassessment* exceed the total of your undeducted contributions (including gifts) made during the period of January 1, 1991 to December 31, 1993 plus the total of any RRSP contributions (including gifts) made during 1994?

If you answer ***yes***, you do not have to complete a T1-OVP for 1994.

If you answer ***no***, go to Step 3.

Step 3

Do either of the following statements apply to you?

- you were less than 19 years old at any time in 1994; or
- you did not have a net PSPA for 1994 and the total of your undeducted RRSP contributions (including gifts) during the period January 1, 1991 to December 31, 1994 exceeds $8,000; or
- you had a net PSPA for 1994.

If you answer ***yes*** to any one of the above statements, you may be subject to tax on your RRSP contributions and should obtain a T1-OVP for 1994 to determine the amount of this tax. You can get a copy of this return from your income tax office.

If you answer ***no*** to all of the above statements, you do not have to complete a T1-OVP for 1994.

When do you pay the 1% tax?

You have to pay this tax no later than 90 days after the end of the year in which the cumulative excess contributions exist. When you pay the tax for 1994, you have to file a T1-OVP, *1994 Individual Income Tax Return for RRSP Excess Contributions*, (you can get this return from your income tax office). Attach your payment to the completed return, and mail it to your taxation centre. If you do not pay your tax by the deadline, you may also have to pay arrears interest on any unpaid amount.

Self-directed RRSPs

This section generally applies to all RRSPs, but more specifically to self-directed RRSPs.

Each RRSP provides you with a specific amount of flexibility in controlling the assets of the RRSP. If you want to increase this flexibility and have more control over your assets, you can participate in a self-directed RRSP. The amount you can deduct for contributions you make to your self-directed RRSP is the same as it is for all RRSPs.

Self-directed RRSPs are available from most financial institutions. A government-approved trustee has to administer a self-directed RRSP. Your financial institution can tell you if it offers self-directed RRSPs. The trustee takes care of the administrative details, including getting the plan registered, receiving amounts contributed, and trading securities.

The trustee of a self-directed RRSP may charge a plan administration fee to cover the costs of such things as safekeeping the investments, reporting transactions, and filing year-end reports. On line 221 of your return, deduct any reasonable administration fees you paid to the trustee of your self-directed RRSP.

However, you cannot deduct administration fees if they were charged to the RRSP trustee and paid from money within the RRSP. Such fees are expenses of the trust. Also, you cannot deduct brokerage fees charged for purchasing and disposing of securities within the trusteed RRSP.

If you have a self-directed RRSP, you should pay particular attention to the types of investments you choose, as the funds held in a self-directed RRSP may only consist of certain qualified investments. All investments have to be registered in the name of the trustee. Securities cannot be held in your own name.

What is an RRSP qualified investment?

An RRSP qualified investment is an investment recognized under the *Income Tax Act*. Some of the common RRSP qualified investments are:

- guaranteed investment certificates that a Canadian trust company issues;
- money or deposits of money in Canadian funds in a bank, trust company, or credit union, other than money where its fair market value is more than its face value (e.g., coin collections);

- certain bonds (including Canada Savings Bonds), debentures, and similar obligations guaranteed by the Government of Canada, a province, a municipality, or a Crown corporation;
- shares of the capital stock of a public corporation (other than a mortgage investment corporation);
- shares listed on a prescribed stock exchange in Canada (prescribed Canadian stock exchanges are the Montréal, Toronto, Winnipeg, Alberta, and Vancouver Stock Exchanges);
- a bond, debenture, note, or similar obligation of a corporation whose shares are listed on a prescribed Canadian stock exchange;
- units of a mutual fund trust;
- a share of, or similar interest in, a credit union;
- shares listed on a prescribed stock exchange outside Canada (there is a limit on the amount of foreign investment that your RRSP can hold without being subject to a special tax, as explained in "Tax on excess foreign property holdings" on this page);
- a mortgage secured by real property located in Canada, as long as certain conditions are met;
- bonds acquired after June 30, 1991, that are issued pursuant to the Saskatchewan Community Bond Program and the Manitoba Rural Development Bond Program;
- royalty units acquired after July 16, 1992, that are listed on a Canadian stock exchange, where the value of the units is derived solely from Canadian resource properties;
- small business corporation shares acquired after December 2, 1992, under certain circumstances;
- for 1993 and later years, certain warrants and bankers' acceptances, limited partnership units listed on a Canadian stock exchange, debt obligations issued by public corporations;
- debt obligations acquired after June 21, 1993, of corporations whose shares are listed on a prescribed foreign stock exchange; and
- debt obligations acquired after June 21, 1993, of foreign governments which, at the time of purchase, have an investment grade rating with a bond rating agency that ordinarily rates debt issued by foreign governments.

If you want to know more about qualified investments, see Interpretation Bulletin IT-320, *Registered Retirement Savings Plans — Qualified Investments*.

What is an RRSP non-qualified investment?

An RRSP non-qualified investment is any property acquired by an RRSP trust after 1971 that is not a qualified investment. Some common RRSP non-qualified investments are gold and silver bars and other precious metals, shares of many private corporations, commodity futures contracts, listed personal property, such as works of art and antiques, gems and other precious stones, and real estate.

If you purchase a non-qualified investment for your RRSP, you will have to include, in your income, the fair market value of the investment when you buy it. In addition, if the cost to the RRSP trust is more than the fair market value, you will also have to include that excess in your income.

Tax Tip

You can deduct, for the year you dispose of a property from your RRSP that was a non-qualified investment when your RRSP trust acquired it, an amount that equals the lesser of the fair market value of the non-qualified investment when your RRSP trust acquired it (if that amount was included in your income); and the proceeds of disposition of the non-qualified investment. For more details, see "Other income and deductions" on page 25.

A qualified investment held by an RRSP trust can become a non-qualified investment. In such cases, the RRSP trust is subject to a special tax unless the annuitant has included the fair market value of the non-qualified investment in his or her income. The special tax is equal to 1% of the fair market value of the investment when it was acquired. It is payable for each month in which the non-qualified investment is held by the RRSP trust at the end of the month. The RRSP trustee has to file a tax return, and pay the tax for the RRSP trust no later than 90 days after the end of the taxation year.

Can you contribute property other than cash to your self-directed RRSP?

You can contribute property such as stocks and bonds to a self-directed RRSP. If property is contributed, the amount of your contribution for tax purposes is equal to the fair market value of the property at the time you contributed it. Be sure to transfer the ownership registration of the property. If you contribute property, you should get an official RRSP receipt for an amount equal to the property's fair market value. The contributed property becomes an investment of the RRSP.

If you contribute a non-qualified investment to your RRSP, you have to include the fair market value of that property in your income for the year you contributed it. Similarly, if you contribute a non-qualified investment to your spouse's RRSP, your spouse has to include, in his or her income, the fair market value of that investment at the time you contributed it.

If property registered in your name is contributed to an RRSP, you have to calculate any capital gain on the disposition of that property, and report it on your tax return. You cannot deduct a capital loss on the disposition of property to an RRSP, because the *Income Tax Act* considers the loss to be zero.

Tax on excess foreign property holdings

A limit exists on the amount of qualified investments in foreign property that an RRSP can hold without being subject to a special 1% tax. Generally, the limit on such foreign property holdings for a month ending in 1994 is 20% of the cost amount of all property held by the RRSP trust at the end of the month. If an RRSP trust is subject to the tax, the RRSP trustee has to file a tax return and pay the tax no later than 90 days after the end of the year for which the trust was subject to the tax. If you want more details, see Interpretation Bulletin IT-412, *Foreign Property of Registered Plans*.

Saskatchewan Pension Plan contributions

This section applies to you if you contribute to the Saskatchewan Pension Plan.

If you were a member of the Saskatchewan Pension Plan (SPP) in 1994, the amount you can deduct for 1994 for the contributions you made to the SPP is the **least** of the following three amounts:

- the amount you contribute in 1994 or up to 60 days after the end of 1994 to your account under the plan, as long as you did not deduct the amount for 1993;
- $600; and
- the portion of your RRSP deduction limit that you do not use for 1994.

For more details about your 1994 RRSP deduction limit, see "Calculating your 1994 RRSP deduction limit" on page 14.

Your deduction for contributions to the SPP reduces your unused RRSP deduction room that you can carry forward. For more details about unused RRSP deduction room, see "Your 1993 unused RRSP deduction room" on page 14.

If you are a resident of Saskatchewan, see line 209 of your income tax package for information on the deductibility of your SPP contributions.

Tax Tip

If you are cashing out your SPP for 1993 and later years, you can have your lump-sum payment transferred directly from the SPP to an RRSP or a RRIF, or you can buy an eligible annuity for yourself or, where there is a division of property because of your marriage breakdown, for your spouse or former spouse. For more information, see "Direct transfer of Saskatchewan Pension Plan (SPP) amounts" on page 41.

Taxable payments from an unmatured RRSP

This section applies to you if you receive an amount from an unmatured RRSP. An unmatured RRSP is an RRSP that has not started to pay you retirement income.

Withdrawal of funds from an RRSP

If you withdraw amounts from your RRSP before the plan matures, it does not mean the RRSP will be deregistered. Your 1994 withdrawal payments will be reported in box 22 of your T4RSP Supplementary slip. Include the withdrawals in income on line 129 of your return. If the withdrawal is a return of excess or undeducted contributions made to an RRSP based on a certified Form T3012, *Application for Refund of RRSP Excess Contributions Made in 19__*, or an approved Form T3012A, *Tax Deduction Waiver on the Refund of Your Undeducted RRSP Contributions Made in 19__*, it will be shown in box 20 of the T4RSP Supplementary slip.

Note

If you withdraw funds from a spousal RRSP, and your spouse contributed amounts to any spousal RRSP in the year of withdrawal or either of the preceding two years, all or part of the withdrawal may have to be included in your spouse's income. For more details see "Calculating the income you and your spouse have to report" on page 26.

Death of an RRSP annuitant

For deaths occurring in 1993 or later years, if an annuitant dies before the RRSP has matured, the fair market value (FMV) of the property held by the RRSP at the time of death is included in the annuitant's income for the year of death, except to the extent that:

- a payment from the RRSP (refund of premiums) is included in the income of the RRSP annuitant's spouse; or
- where the RRSP annuitant had no spouse at the time of death and a payment from the RRSP (refund of premiums) is included in the income of the annuitant's financially dependent child or grandchild (see the explanation of "financially dependent" on page 35).

The FMV of the property in the RRSP is shown in box 34 of the T4RSP Supplementary slip issued in the deceased's name.

Surviving spouse as beneficiary of the RRSP property or estate — Amounts received from the RRSP by a surviving spouse as beneficiary of the RRSP are shown in box 18 or 34 of the T4RSP Supplementary slip issued in the name of the surviving spouse. This amount is a refund of premiums.

If an amount is paid from the RRSP to the legal representative of the deceased's estate, and the surviving spouse is a beneficiary of that estate, the amount can be designated to be a refund of premiums received by the surviving spouse. The amount that may be designated as a refund of premiums is the total of amounts reported in box 34 of the T4RSP Supplementary slip issued in the name of the estate.

The surviving spouse may choose to report part or all of the refund of premiums received or considered to be received as the surviving spouse's income. In addition, part or all of the refund of premiums may be transferred directly or indirectly to the surviving spouse's RRSP or RRIF, or to an issuer to buy an annuity. If you want to know more about the transfer options, designation options, and the options for how you can report a refund of premiums as income, see "Transfer of RRSP refund of premiums" on page 32.

Child or grandchild as beneficiary of the RRSP property or estate — If, at the time of death an RRSP annuitant had no spouse, any amount paid from the RRSP to a financially dependent child or grandchild of the deceased is a refund of premiums. The amount that is a refund of premiums is the amount shown in box 34 of the T4RSP Supplementary slip issued in the name of the child or grandchild.

If at the time of death the deceased annuitant had no spouse, and the deceased annuitant's financially dependant child or grandchild is beneficiary of the estate, a designation can be made to treat amounts paid from the RRSP to the legal representative of the estate as a refund of premiums received by the financially dependant child or grandchild. The amount that may be designated is the amount reported in box 34 of the T4RSP Supplementary slip issued in the name of the estate.

1994 RRSP Deduction Limit Chart

Step 1 — Calculating your 1994 RRSP deduction limit

1. Enter your RRSP deduction limit for 1993.	______	1		
2. Enter the amount of RRSP contributions that you deducted on line 208 of your 1993 return (do not include amounts that you deduct for transfers of payments or benefits to an RRSP).	______	2		
3. Line 1 **minus** line 2: This is your 1993 unused RRSP deduction room. *	______	→	______	3
4. 18% × your 1993 earned income (shown on your 1993 *Notice of Assessment*).	______	4		
5. 1994 RRSP dollar limit.	13,500	5		
6. Enter the amount on line 4 or line 5, whichever is less.	______	→	______	6
7. Enter your 1993 PA (the total of box 52 of your 1993 T4 Supplementary slips and box 34 of your 1993 T4A Supplementary slips).**			______	7
8. Line 6 **minus** line 7 (if the amount is negative, enter "0").			______	8
9. Enter your exempt PSPA for 1994 (box 2 of your T215, *Past Service Pension Adjustment (PSPA) Exempt From Certification,* Supplementary slip).	______	9		
10. Enter your certified PSPA for 1994 (line (A) in Area III of Form T1004, *Applying for the Certification of a Provisional PSPA*).	______	10		
11. Line 9 **plus** line 10.	______	→	______	11
12. Enter your qualifying withdrawals for 1994 (Area III of Form T1006, *Designating an RRSP Withdrawal as a Qualifying Withdrawal*).			______	12
13. Line 11 **minus** line 12: This is your 1994 net PSPA (this amount can be negative).			______	13
14. Enter the amount from line 3.	______	14		
15. Enter the amount from line 8.	______	15		
16. Line 14 **plus** line 15.	______	→	______	16
17. Enter the amount from line 13.			______	17
18. Line 16 **minus** line 17: This is your 1994 RRSP deduction limit (if negative enter "0").			______	18

Step 2 — Your 1994 unused RRSP deduction room

19. Enter the amount from line 16.	______	19		
20. Enter the amount from line 13.	______	20		
21. Line 19 **minus** line 20 (this amount can be negative).	______	→	______	21
22. Enter the amount of RRSP contributions you deduct on line 208 of your 1994 return (cannot be more than the amount on line 18). Do not include amounts that you deduct for transfers of payments or benefits to an RRSP ***			______	22
23. Line 21 **minus** line 22: This is your 1994 unused RRSP deduction room (this amount can be negative).			______	23

* This amount can be a negative amount.

** If you are a connected person or a participant in a foreign plan, you may have to enter an amount on line 7 in addition to amounts reported on your T4 or T4A Supplementary slips. For more information, see "Connected persons' 1994 RRSP deduction limit" on page 18, or "Your 1993 pension adjustment (PA) and similar amounts" on page 15.

*** If you contributed to the Saskatchewan Pension Plan (SPP) during 1994, you may have to enter an amount on line 22 for SPP contributions deducted for 1994. For more information, see "Saskatchewan Pension Plan contributions" on page 23. If you made contributions to your RRSP or to your spouse's RRSP less than 90 days before they are withdrawn under the Home Buyers' Plan, part or all of those contributions may not be deductible in calculating your income for any year. For more information, see "Is your 1994 RRSP deduction affected by your or your spouse's participation in the Home Buyers' Plan?" on page 19.

1995 RRSP Deduction Limit Chart

Step 1 — Calculating your 1995 RRSP deduction limit

1. Enter your RRSP deduction limit for 1994.	______ 1			
2. Enter the amount of RRSP contributions you deducted on line 208 of your 1994 return (do not include amounts that you deduct for transfers of payments or benefits to an RRSP).	______ 2			
3. Line 1 **minus** line 2: This is your 1994 unused RRSP deduction room. *	______	→	______	3
4. 18% × your 1994 earned income (shown on your 1994 *Notice of Assessment*).	______ 4			
5. 1995 RRSP dollar limit.	14,500 5			
6. Enter the amount on line 4 or line 5, whichever is less.	______	→	______	6
7. Enter your 1994 PA (total of box 52 of your 1994 T4 Supplementary slips and box 34 of your 1994 T4A Supplementary slips). **			______	7
8. Line 6 **minus** line 7 (if the amount is negative, enter "0").			______	8
9. Enter your exempt PSPA for 1995 (box 2 of your T215, *Past Service Pension Adjustment (PSPA) Exempt From Certification,* Supplementary slip).	______ 9			
10. Enter your certified PSPA for 1995 (line (A) in Area III of Form T1004, *Applying for the Certification of a Provisional PSPA*).	______ 10			
11. Lines 9 **plus** line 10.	______	→	______	11
12. Enter your qualifying withdrawals for 1995 (Area III of Form T1006, *Designating an RRSP Withdrawal as a Qualifying Withdrawal*).			______	12
13. Line 11 **minus** line 12: This is your 1995 net PSPA (this amount can be negative).			______	13
14. Enter the amount from line 3.	______ 14			
15. Enter the amount from line 8.	______ 15			
16. Line 14 **plus** line 15.	______	→	______	16
17. Enter the amount from line 13.			______	17
18. Line 16 **minus** line 17: This is your 1995 RRSP deduction limit (if negative enter "0").			______	18

Step 2 — Your 1995 unused RRSP deduction room

19. Enter the amount from line 16.	______ 19			
20. Enter the amount from line 13.	______ 20			
21. Line 19 **minus** line 20 (this amount can be negative).	______	→	______	21
22. Enter the amount of RRSP contributions you deduct on line 208 of your 1995 return (cannot be more than the amount on line 18). Do not include amounts that you deduct for transfers of payments or benefits to an RRSP ***			______	22
23. Line 21 **minus** line 22: This is your 1995 unused RRSP deduction room (this amount can be negative).			______	23

* This amount can be a negative amount.

** If you are a connected person or a participant in a foreign plan, you may have to enter an amount on line 7 in addition to amounts reported on your T4 or T4A Supplementary slips. For more information, see the *RRSP and Other Registered Plans for Retirement* guide.

*** If you contributed to the Saskatchewan Pension Plan (SPP) during 1995, you may have to enter an amount on line 22 for SPP contributions deducted for 1995. If you made contributions to your RRSP or to your spouse's RRSP less than 90 days before they are withdrawn under the Home Buyers' Plan, part or all of those contributions may not be deductible in calculating your income for any year. For more information, see the *RRSP and Other Registered Plans for Retirement* guide.

The financially dependent child or grandchild may choose to report part or all of the refund of premiums received or considered to be received in the child or grandchild's income. In addition, all or part of the refund of premiums may be transferred directly or indirectly to the child or grandchild's RRSP or RRIF, or to an issuer to buy an annuity. If you want to know more about the transfer options, designation options, and the options for how you can report a refund of premiums as income, see "Transfer of RRSP refund of premiums" on page 32.

If you want to know more about the tax treatment of RRSPs when an RRSP annuitant dies, see Interpretation Bulletin IT-500, *Registered Retirement Savings Plans (maturing after June 29, 1978) Death of Annuitant after June 29, 1978.*

Deemed receipts on deregistration

If, in 1994, your RRSP was changed and no longer satisfies the rules under which it was registered, it is no longer an RRSP. It is an amended plan. In such a case, you are considered to receive, in 1994, an amount that equals the fair market value of all the property of the plan at the time it stopped being an RRSP. This amount should be shown in box 26 of your 1994 T4RSP Supplementary slip. You have to include the amount as income on line 129 of your return.

If such an amended plan was a spousal RRSP or considered by the *Income Tax Act* to be a spousal RRSP, and your spouse contributed amounts to any spousal RRSP in 1992, 1993, or 1994, all or part of the amount shown in box 26 of your T4RSP Supplementary slip may have to be included in your spouse's income for 1994. If you want to know more about spousal RRSPs, see "Spousal RRSPs" on page 13.

Other income and deductions

There may be other amounts under an RRSP that you have to include as income, or that you deduct on your return. For example, if in 1994 your RRSP trust acquired or disposed of a non-qualified investment, trust property was used as security for a loan, trust property was sold for an amount less than its fair market value, or the trust acquired property for an amount more than its fair market value, you may have to include a certain amount in your income, or you may be able to deduct a certain amount for 1994.

Your plan issuer shows these amounts in box 28 of your T4RSP Supplementary slip. You report positive amounts on line 129 of your return and deduct negative amounts (usually shown in brackets) on line 232 of your return.

For more information about non-qualified investments, see "What is an RRSP non-qualified investment?" on page 23.

Taxable payments from a matured RRSP

When an RRSP matures, its value is included in your income, unless you use the RRSP to purchase an eligible annuity or a registered retirement income fund (RRIF).

Annuity payments

If you use your RRSP to buy an eligible annuity, you have to include the annuity payments in your income. They are reported in box 16 of your T4RSP Supplementary slip. Report your RRSP annuity payments on line 129 of your return. If you were 65 or older on December 31, 1994, or you get the payments due to your spouse's death, they qualify for the non-refundable tax credit for eligible pension income. See line 314 in the *General Income Tax Guide* for more details.

Commutation payments

A commutation payment is a fixed or single lump-sum payment from your RRSP annuity that is equal to the current value of all or part of your future annuity payments from the plan.

If your RRSP annuity is commuted in 1994, report the commutation payment as income for 1994. It is reported in box 22 of your T4RSP Supplementary slip. Include the amount on line 129 of your return.

If the RRSP from which you receive the commutation payment is a spousal RRSP, and your spouse contributed amounts to any spousal RRSP in 1992, 1993, or 1994, your spouse may have to include in income all or part of the commutation payment. If you want to know more about this, see "Calculating the income you and your spouse have to report" on page 26.

Payments received because of the death of an RRSP annuitant

If, because of an RRSP annuitant's death, the remaining payments under the annuitant's RRSP become payable to the annuitant's surviving spouse, the surviving spouse will begin to receive the payments. All such payments the surviving spouse receives have to be reported as income on line 129 of the surviving spouse's return.

If an annuitant dies after the RRSP has matured, and the annuitant's surviving spouse is a beneficiary of the estate instead of a beneficiary of the RRSP, the spouse and legal representative can jointly elect, in writing by sending a written election to Revenue Canada, to treat amounts paid from the RRSP to the estate as being paid to the spouse. A copy of the written election has to be attached to the return of the surviving spouse. The election has to specify that the surviving spouse is becoming the annuitant of the RRSP. If such an election is made, the surviving spouse is considered to receive amounts paid from the RRSP as an RRSP benefit.

Annuity payments received or considered to be received by the surviving spouse are shown in box 16 of the T4RSP Supplementary slip issued in the name of the surviving spouse.

Annuity payments from RRSPs that were registered after June 29, 1978, that are paid to a beneficiary other than the RRSP annuitant's surviving spouse, have to be commuted. The payment has to be included in the deceased RRSP annuitant's income for the year of death, unless he or she had no spouse at the time of death and the payment (refund of premiums) is included in the income of the deceased annuitant's financially dependant child or grandchild

Deemed receipts on deregistration

The previous comments about the deregistration of an unmatured RRSP on this page under the heading "Deemed receipts on deregistration" also apply to matured RRSPs.

Calculating the income you and your spouse have to report

This section applies to you if your spouse receives income from an RRSP to which you contributed in 1992, 1993, or 1994.

If you contributed to any spousal RRSP in 1992, 1993, or 1994, you may have to include in your 1994 income all or part of:

- the amounts your spouse received in 1994 from any of his or her unmatured spousal RRSPs;
- the commutation payments your spouse received in 1994 from any of his or her matured spousal RRSPs;
- the amounts your spouse was considered to have received in 1994 from any of his or her deregistered spousal RRSPs; and
- the amounts your spouse received or was considered to have received in 1994 from any of his or her spousal RRIFs that are in excess of the minimum amount for the year.

Tax Tip

If you want to make sure that you will not have to include any amount in your income when your spouse withdraws funds from a spousal RRSP or spousal RRIF, make sure you have not contributed to any spousal RRSP in the year your spouse withdraws the funds, or in either of the two preceding years. Otherwise, the funds your spouse (the annuitant) withdraws will probably have to be included as your income (the contributor).

To determine the amount to be included as your income or your spouse's income, your spouse (the annuitant) should complete Form T2205, *Calculating Amounts From a Spousal RRSP or RRIF to Include in Income for 19__.*

Example

In January 1992, Waldo started an RRSP for his wife, Edith. He contributed the following amounts to her RRSP:

Year	Amount
1992	$2,000
1993	2,000
1994	1,000
Total	$5,000

In 1994, Edith withdrew $4,000 from her spousal RRSP. Before 1994, she had not withdrawn any amounts from her spousal RRSP. She completed Form T2205 to determine how much of the $4,000 Waldo includes in his income, and how much she includes in her income. Based on the completed Form T2205, she determined that Waldo has to include the entire $4,000 in his income.

This is because the amount Waldo has to include as income is the **lesser** of:

- the amounts he contributed to all spousal RRSPs for his wife in 1992, 1993, and 1994 ($1,000 + $2,000 + $2,000 = **$5,000**); and
- the amount his wife withdrew from her spousal RRSP in 1994 (**$4,000**).

Waldo includes the $4,000 as income on line 129 of his 1994 return, and attaches a copy of the completed Form T2205 to his return.

Edith does not include any of the $4,000 as income. However, she attaches the 1994 T4RSP Supplementary slip and a copy of the completed Form T2205 to her 1994 return.

Are there cases when the income inclusion rules for spousal RRSPs do not apply to the contributor?

The rule that requires you, the contributor, to include as income certain amounts from spousal RRSPs **does not apply** if, at the time of payment or deemed receipt:

- you and your spouse are living separate and apart because of the breakdown of your marriage;
- you or your spouse are non-resident; or
- the payment is a commutation payment that is transferred directly for your spouse to another RRSP, to a RRIF, or to purchase an eligible annuity that cannot be commuted for at least three years. If you want to know more about this, see "Direct transfer of an RRSP commutation payment or property from an unmatured RRSP" on page 40.

The rule also **does not apply** if the contributor dies in the year the payment is received or considered to be received by the spouse who is the annuitant. Additionally, it **does not apply** to the amounts considered the deceased annuitant is considered to receive because of death, or to an amount received from a plan that was deregistered before May 26, 1976. In any such case, the annuitant spouse includes the payment as income for the year that he or she receives it, or is considered to receive it.

Locked-in RRSPs

A locked-in RRSP is a plan that had funds transferred from a registered pension plan (RPP) for a member of the RPP.

The locking-in rule in pension law means that certain amounts cannot be paid to the member. They either have to stay in the pension plan or be transferred to a locked-in RRSP to provide the member with a retirement income. Under the pension laws of certain provinces, pension funds or funds from a locked-in RRSP can be transferred to a locked-in RRIF. These locked-in RRIFs are sometimes referred to as Life Income Funds. You cannot withdraw funds from a locked-in RRSP. The money has to stay in the RRSP, and will be used to purchase a life annuity at retirement age.

Your employer or pension plan administrator should be able to answer any questions you have about funds that are locked-in if you leave employment or change jobs.

Note

Do not confuse locked-in RRSPs with fixed-term investments inside an RRSP. A fixed-term investment, such as a guaranteed investment certificate, can be said to have a locked-in interest rate for the term of the certificate.

Chapter 3
Registered Retirement Income Funds (RRIFs)

What is a RRIF?

A RRIF is a retirement income fund that we have registered for the purposes of the *Income Tax Act*. A retirement income fund is a contractual arrangement between a carrier and an individual (annuitant) to provide the individual with retirement income. Carriers include trust companies, banks, credit unions, and life insurance companies.

The balance of this chapter contains information on RRIFs. Each section starts with a brief introduction to help you determine if that section applies to you.

Establishing a RRIF

This section applies to you if you want to know about the types of income you can use to start a RRIF.

How do you establish a RRIF?

You can establish a RRIF by having the payments described in the following paragraphs transferred directly to an existing RRIF or to a new RRIF. You can have any number of RRIFs. For more details about transfers, see "Transfers to Registered Plans or Funds and Annuities" starting on page 31.

You can have self-directed RRIFs. The investment rules that apply to self-directed RRIFs are the same as those for self-directed RRSPs. For more details about these investment rules, see "Self-directed RRSPs" on page 22.

Property from a registered retirement savings plan (RRSP)

You can establish a RRIF by having property transferred directly from:

- your unmatured RRSP;
- your matured RRSP (including a direct transfer of a commutation payment from your RRSP annuity); or
- an unmatured RRSP belonging to your spouse or former spouse if the transfer is made:
  - under a decree, order, or judgment of a court, or a written separation agreement; and
  - to settle rights arising out of your marriage on or after the breakdown of your marriage.

In addition, if you are entitled to get an RRSP refund of premiums in a year because your spouse dies, you can set up a RRIF by directly transferring to the RRIF any part of the refund of premiums included in your income for the year. Or, you can establish a RRIF by making a contribution to the RRIF that is not more than the refund of premiums included in your income for the year. Alternatively, if you get a refund of premiums because your parent or grandparent dies, and you were dependent on that person because of a physical or mental infirmity, you can set up a RRIF the same way.

The contribution to the RRIF has to be made in the year you get the refund of premiums, or no later than 60 days after the end of that year.

Lump-sum payment from a registered pension plan (RPP)

You can establish a RRIF by having a lump-sum payment transferred directly from:

- an RPP under which you are a member, if you are entitled to receive the lump sum;
- an RPP under which your spouse or former spouse was the member, if you are entitled to receive the lump sum because your spouse or former spouse dies; or
- an RPP under which your spouse or former spouse is a member, if you are entitled to receive the lump sum:
  - under a decree, order, or judgment of a court, or a written separation agreement; and
  - to settle rights arising out of your marriage on or after the breakdown of your marriage.

Note

In some cases, the *Income Tax Act* limits how much of an RPP lump-sum payment can be transferred directly to a RRIF without tax consequences. If you want more details about these rules, see "Direct transfer of an excess RPP lump-sum payment" on page 39.

Property from another RRIF

You can establish a RRIF by having property transferred directly from:

- another RRIF under which you are the annuitant. (This includes the direct transfer of an excess amount described in "Direct transfer of an excess amount from a RRIF" on page 41 that you are entitled to be paid from another of your RRIFs);
- a RRIF belonging to your spouse or former spouse if the transfer is made:
  - under a decree, order, or judgment of a court, or a written separation agreement; and
  - to settle rights arising out of your marriage on or after the breakdown of your marriage.

In addition, if you are in receipt of an amount from a RRIF that is a designated benefit, you may transfer that amount to your RRIF. A designated benefit is generally an amount received from a RRIF because the annuitant died. For more information on this type of transfer, see "Transfer of a designated benefit from a RRIF" on page 35.

Saskatchewan Pension Plan lump-sum payments

For 1993 and later years, if you are entitled to receive a lump-sum payment from the Saskatchewan Pension Plan (SPP) because your spouse or former spouse dies, or because of a breakdown of your marriage, you can establish a RRIF by having any part of the SPP lump-sum payment transferred directly to the RRIF. Also, for 1993 and later years, if you are cashing out your SPP, you can have your SPP lump-sum payment transferred directly from the SPP to an RRSP or a RRIF or you can buy an eligible annuity.

For more information on the direct transfer of SPP amounts, see "Direct transfer of Saskatchewan Pension Plan (SPP) amounts" on page 41.

Taxable payments from a RRIF

This section applies to you if you want to know how the payments you receive from a RRIF are taxed.

Minimum and excess amounts paid out of a RRIF

Minimum amount — You do not have to be paid a minimum amount in the year you establish a RRIF. However, you do have to be paid a yearly minimum amount after that.

Your carrier calculates your minimum amount based on your age at the beginning of each year. However, before your payments begin, you can elect with your carrier to have your minimum amount based on your spouse's age at the beginning of each year. You do not have to complete a form to make this election. Instead, when you set up your RRIF, tell your carrier to base your minimum amount on your spouse's age. Once you make this election, you cannot change it.

The payout period under your RRIF is for your entire life. If you want to know more about your payments and how your minimum amount is calculated, contact your RRIF carrier.

Excess amount — In any year, you can be paid more than the minimum amount for that year. Amounts paid to you from a RRIF in a year that are more than the minimum amount for that year are called excess amounts. Check with your carrier to make sure that your RRIF allows you such payments.

You can have a RRIF excess amount transferred directly to an RRSP if you are under 72 at any time in the year it is transferred, to another RRIF, or to an issuer to buy an eligible annuity. For more information, see "Direct transfer of an excess amount from a RRIF" on page 41.

Undeducted and excess RRSP contributions paid from a RRIF

If you could not deduct all the amounts you contributed to your RRSP or to your spouse's RRSP **in 1990 or any earlier year**, and those funds are transferred from such an RRSP to a RRIF, the excess RRSP contributions can be withdrawn from the RRIF. The amount withdrawn has to be in addition to the minimum amount for the year.

You can deduct for the year an amount equal to the RRSP excess contributions included in your income if the excess amount is received:

- in the year you were sent your *Notice of Assessment* for the year the RRSP excess contributions were made; or
- in the following year.

To calculate how much you can deduct, complete Form T746, *Calculating Your Deduction for Refund of Undeducted or Excess RRSP Contributions*, which is included in the middle of this guide.

Similarly, if you contributed amounts to your RRSP or to your spouse's RRSP in 1991 or a later year that you did not deduct for any year, and those funds are transferred from that RRSP to a RRIF, you may be allowed a deduction for amounts you or your spouse receive from that RRIF for those undeducted RRSP contributions. For more information about the rules you have to meet to claim this deduction, see "Your undeducted RRSP contributions made in 1991 or a later year" on page 21.

Where do you report RRIF income on your return?

You can report RRIF income on your return in various ways, depending on your age and circumstances. If you were 65 or older on December 31, 1994, report your RRIF income on line 115 of your return, since it qualifies for the pension income amount. In most other cases, report your RRIF income on line 130 of your return, because it does not qualify for the pension income amount. For more details read the instructions for line 115 in the *General Income Tax Guide.*

Note

Generally, you have to include in your income all amounts you get from your RRIF. However, your spouse may have to include in his or her income undeducted or excess RRSP contributions paid to you from a spousal RRIF. If the word **yes** appears in box 26 of the T4RIF Supplementary slip, the RRIF received property from a spousal RRSP or RRIF. For more details, see "Spousal RRIFs" on page 30.

Your 1994 RRIF minimum and excess amounts appear in box 16 of your 1994 T4RIF Supplementary slip. Your 1994 RRIF excess amount also appears in box 24 of your 1994 T4RIF Supplementary slip. **Include in your income only the amount reported in box 16.**

Your minimum amount **is not** subject to withholding tax. All excess amounts paid in a year are subject to withholding tax. The tax withheld is shown in box 28 of your 1994 T4RIF Supplementary slip. Claim the tax deducted as a credit on line 437 of your return.

As discussed in "Other income and deductions" on page 29, you may have to include in your income certain other amounts that the issuer calculates.

Deemed receipts on deregistration

If your RRIF was changed in 1994 and it no longer satisfies the rules under which it was registered, it is no longer a RRIF. It is an amended fund. In such a case, you are considered to have received, in 1994, an amount that equals the fair market value of the RRIF when it ceases to be a RRIF. Your carrier should show this amount in box 20 of your 1994 T4RIF Supplementary slip. This amount is generally included in your income. For more information, read the instructions for line 115 in the *General Income Tax Guide.*

However, if the RRIF received property or was considered to have received property from any spousal RRSP, all or part of the amount shown in box 20 of your 1994 T4RIF Supplementary slip may have to be included in your spouse's 1994 income. For more information, see "Spousal RRIFs" on page 30.

Other income and deductions

There may be other amounts under a RRIF that you have to include as income, or that you deduct on your return. For example, if in 1994:

- your RRIF trust acquired or disposed of a non-qualified investment;
- trust property was used as security for a loan;
- trust property was sold for an amount less than its fair market value; or
- the trust acquired property for an amount more than its fair market value;

you may have to include a certain amount in your income, or you may be able to deduct a certain amount for 1994.

Your RRIF carrier reports these amounts in box 22 of your T4RIF Supplementary slip. If the amount shown in box 22 is not in brackets, include it on line 130 of your return. You deduct an amount in brackets on line 232 of your return.

Death of a RRIF annuitant

This section applies to you if you receive income from a RRIF because the RRIF annuitant died. This section also covers the rules that apply to income received or considered received by the deceased annuitant.

Death of a RRIF annuitant — surviving spouse as the new RRIF annuitant

A RRIF annuitant can elect to have the RRIF payments continue to his or her spouse after death. The RRIF annuitant can make this written election in the RRIF contract, or in the will. If the RRIF annuitant does make this election, the surviving spouse becomes the annuitant after death, and will begin to get the RRIF payments as the new annuitant.

As the surviving spouse, a T4RIF Supplementary slip will be issued in your name reporting the payments made to you. You report this amount on line 115 of your return.

Note

A RRIF annuitant's spouse can become the annuitant of the RRIF after the annuitant's death, even if the annuitant did not elect in the RRIF contract or in the will to have the RRIF payments continue to the spouse. This is the case if the legal representative consents to the deceased RRIF annuitant's spouse becoming the annuitant, and the RRIF carrier agrees to continue the payments under the deceased annuitant's RRIF to the surviving spouse.

Death of a RRIF annuitant — designated benefit

For deaths occurring in 1993 or later years, the fair market value of the property held in the RRIF at the time of death must be included in the income of the deceased annuitant. This amount is usually shown in box 18 of the T4RIF Supplementary slip issued in the name of the deceased annuitant. However, the amount reported in the deceased's income may be reduced by the amount of **designated benefit** that the surviving spouse or financially dependant child or grandchild chooses to report as their income, as the case may be (see the explanation of "financially dependent" on page 35).

A **designated benefit** includes an amount a RRIF pays to the surviving spouse of a deceased RRIF annuitant. If the deceased RRIF annuitant had no spouse at the time of death, any amount the deceased annuitant's RRIFs pay to a financially dependent child or grandchild of the annuitant is a designated benefit. A designated benefit may also include an amount a RRIF pays to the legal representative of the deceased RRIF annuitant.

Part or all of a designated benefit you receive may be eligible for transfer to your RRSP or RRIF, or to an issuer to buy an eligible annuity.

For more information on the options available to you if you receive a designated benefit, see "Transfer of a designated benefit from a RRIF" on page 35.

Surviving spouse as beneficiary of the RRIF property or estate — Instead of electing to have the RRIF payments continue to the surviving spouse after the RRIF annuitant dies, the RRIF annuitant can name the surviving spouse in the RRIF contract as the beneficiary of any part of the RRIF property. Amounts received from the RRIF by a surviving spouse that is beneficiary of the RRIF property are shown in box 16 of the T4RIF Supplementary slip issued in the name of the surviving spouse. This amount is a designated benefit.

If the RRIF pays an amount to the legal representative of the deceased's estate, and the surviving spouse is a beneficiary of that estate, a designation can be made to treat that amount as a designated benefit received by the surviving spouse. The amount that may be designated as a designated benefit is the total of amounts reported in box 18 of the T4RIF Supplementary slip issued in the name of the estate.

The surviving spouse may choose to report part or all of the designated benefit received or considered to be received as the surviving spouse's income. In addition, all or part of the designated benefit may be eligible to be transferred directly or indirectly to the surviving spouse's RRSP or RRIF, or to an issuer to buy an annuity. For details about the transfer options, designation options, and the options for how you report a designated benefit as income, see "Transfer of a designated benefit from a RRIF" on page 35.

For deaths occurring before 1993, if the RRIF annuitant names his surviving spouse as beneficiary of all or part of the RRIF property, the amount the surviving spouse is entitled to receive after the RRIF annuitant dies is an amount from a RRIF. The part of this amount that is more than the minimum amount that remains to be paid in the year the annuitant dies is an excess amount. The surviving spouse may transfer the excess amount from the deceased's RRIF to his or her own RRSP or RRIF, or to an issuer to buy an eligible annuity. The surviving spouse may then claim an offsetting deduction as long as the excess amount is transferred directly and is included in his or her income for the year. This deduction is available for the 1993 through 1996 taxation years. For information on how the excess amount is taxed, see "Where do you report RRIF income on your return?" on page 28. If you want to know more about the transfer of excess amounts, see "Direct transfer of an excess amount from a RRIF" on page 41.

Child or grandchild as beneficiary of the RRIF property or estate — If at the time of death a RRIF annuitant had no spouse, any amount paid from the RRIF to a financially dependent child or grandchild of the deceased is a designated benefit. The amount that is a designated benefit is shown in box 18 of the T4RIF Supplementary slip issued in the name of the child or grandchild.

If at the time of death the deceased annuitant had no spouse, and the deceased annuitant's financially dependant child or grandchild is beneficiary of the estate, a designation can be made to treat amounts paid from the RRIF to the legal representative of the estate as a designated benefit received by the financially dependant child or grandchild. The amount that may be designated as a designated benefit is the total of amounts reported in box 18 of the T4RIF Supplementary slip issued in the name of the estate.

The financially dependent child or grandchild may choose to report part or all of the designated benefit received or considered to be received in the child or grandchild's income. In addition, all or part of the designated benefit may be transferred directly or indirectly to the child or grandchild's RRSP or RRIF, or to an issuer to buy an annuity. For more details about the transfer options, designation options, and the options for how you report a designated benefit as income, see "Transfer of a designated benefit from a RRIF" on page 35.

Spousal RRIFs

This section may apply to you if your spouse received a payment from a spousal RRIF.

What is a spousal RRIF?

A spousal RRIF is any of your spouse's RRIFs that received payments or transfers of property from RRSPs that you contributed to for your spouse. A spousal RRIF is also your spouse's RRIFs that received payments or transfers of property from other spousal RRIFs. In other words, a spousal RRIF always remains a spousal RRIF, regardless of how many times your spouse transfers funds or property between his or her RRIFs and RRSPs.

Example

Ken is married to Cheryl. He made contributions to RRSPs for Cheryl from 1980 until 1991. These RRSPs are spousal RRSPs since Ken contributed to them for Cheryl. In February 1993, Cheryl transferred all of the funds in these RRSPs to a RRIF. This RRIF is a spousal RRIF, since it received payments from a spousal RRSP.

In November 1993, Cheryl transferred some funds from her RRIF to a new RRIF. The new RRIF is still a spousal RRIF since it received funds from another spousal RRIF. Cheryl's new RRIF was set up to pay her the minimum amount each year, plus an excess amount. These amounts were to be paid to her in December of each year, beginning in 1993.

In October 1994, Cheryl told her RRIF carrier to transfer the excess amount to her RRSP at a different bank. Her RRIF carrier transferred the excess amount to Cheryl's RRSP at the other bank in December 1994. This new RRSP is a spousal RRSP since it received funds from a spousal RRIF.

Who includes in income the payments from a spousal RRIF?

If you contributed amounts to any spousal RRSP in 1992, 1993, or 1994, and your spouse transferred the funds to a RRIF, you may have to include in your income all or part of:

- any excess amount paid to your spouse in 1994 from a spousal RRIF; and
- the amount by which deemed receipts on deregistration of a spousal RRIF in 1994 exceed the minimum amount for 1994 from the RRIF.

If your spouse (the annuitant) is paid only minimum amounts in 1994, your spouse has to include these payments in his or her income.

Are there cases when the income inclusion rules for spousal RRIFs do not apply to the contributor?

The rule that requires you, the contributor, to include as income certain amounts from spousal RRIFs **does not apply** if, at the time of payment or deemed receipt:

- you and your spouse are living separate and apart because of the breakdown of your marriage;
- you or your spouse are a non-resident; or
- the amount is a commutation payment received from an RRSP or RRIF and it is transferred directly for your spouse to another RRSP, to a RRIF, or to an issuer to buy an eligible annuity that cannot be commuted for at least three years.

The rule also **does not apply** if the contributor dies in the year the payment is received or considered to be received by the spouse who is the annuitant. Additionally, it **does not apply** to the amounts the deceased annuitant is considered to receive because of death. In any such case, the spouse who is the annuitant includes the payment as income for the year that he or she receives it, or is considered to receive it.

To determine the amount to be reported as your income and your spouse's income, complete Form T2205, *Calculating Amounts From a Spousal RRSP or RRIF to Include in Income for 19__*.

If you want to know more about spousal RRSPs, see "Spousal RRSPs" on page 13.

Chapter 4
Transfers to Registered Plans or Funds and Annuities

You can transfer certain types of payments to a registered pension plan (RPP), registered retirement savings plan (RRSP), registered retirement income fund (RRIF), or deferred profit-sharing plan (DPSP). You can use certain payments from an RRSP or a RRIF to buy an eligible annuity. Certain payments have to be transferred directly. For other payments, you have the choice of transferring them either directly or indirectly. This chapter provides information about the rules regarding these transfers.

Types of payments that can be transferred directly or indirectly

This section includes information about payments that can be transferred either directly or indirectly to an RPP, RRSP, or RRIF. You can also find information about using certain *payments from an RRSP or a RRIF to buy an eligible annuity.*

You have the choice of transferring either directly or indirectly the payments described in this section to an RPP, RRSP, or RRIF. If you want to have these payments transferred directly, tell your employer, plan administrator, or plan issuer before the amount is paid (e.g., either in cash or by *cheque) to you. If you have a payment transferred directly,* there is no tax withheld at source on the amount transferred.

If you want to transfer one of these payments indirectly, you can make a contribution to an RPP, RRSP, or RRIF, up to the amount of the eligible income (i.e., you get the payment and later contribute to such a retirement plan or fund). To be deductible, the contributions usually have to be made to that plan or fund in the year you receive the qualifying income, or no later than 60 days after the end of that year.

If you transfer one of these payments, you have to file with your 1994 return a completed Schedule 7, *Registered Retirement Savings Plan (RRSP) Transfers and Unclaimed Contributions.* This schedule will be accepted as your designation of amounts transferred. A copy of Schedule 7 is included in the *General Income Tax Guide* for 1994.

If you transfer more than one type of eligible income to your RRSP, you may want to refer to Form T2097, *Identifying the Amounts Transferred to an RRSP for 19__,* to help you calculate the total amount that you may designate.

Remember that, if you transfer a payment to an RRSP, the amount you can deduct for this transfer is in addition to your RRSP contributions based on your RRSP deduction limit.

Transfer of a retiring allowance to your RPP or RRSP

When you retire, you may receive a retiring allowance. A retiring allowance is an amount you receive on or after you retire from an office or employment in recognition of long service, and includes payment for unused sick leave. It also includes amounts you receive for loss of office or employment, whether as a payment of damages or under an order or judgment of a competent tribunal.

A retiring allowance does not include:

- a superannuation or pension benefit;
- an amount paid because an employee dies; or
- a benefit received for counseling services that is not required to be included in your income.

Your retiring allowance is shown in box 26 of your T4A or T3 Supplementary slip. Include your retiring allowance on line 130 of your return for the year you receive it.

You can transfer to your RPP or RRSP the **eligible** part of the retiring allowance. You can find the part of the retiring allowance that **is not eligible** to be transferred in the footnote area of your T4A Supplementary slip. On a T3 Supplementary slip, the **eligible** part of a retiring allowance is shown in box 36.

Deduct the amount you transfer to your RPP on line 207 of your return and the amount you transfer to your RRSP on line 208 of your return. Ensure you attach your official receipt to your return to support your deduction.

You can transfer the **eligible** *part of the retiring allowance to* your RPP or RRSP during the year you receive it, or no later than 60 days after the end of that year. If you are transferring it to your RRSP, you have to be under 72 throughout the year in which you transfer it. You do not have to transfer the eligible part of the retiring allowance directly to be able to deduct it, but you have to include the amount in your income.

The amount you deduct for the transfer of your retiring allowance to your RPP or RRSP is added to your adjusted taxable income to determine whether or not the minimum tax applies. For more details, see the section called "Minimum tax" under line 400 in the *General Income Tax Guide.*

Tax Tip

You do not have to transfer directly your eligible retiring allowance. However, to avoid having income tax withheld from your retiring allowance, you can arrange to have the funds transferred directly. To do so, complete Form TD2, *Tax Deduction Waiver in Respect of Funds to be Transferred,* and give it to your employer. If you are a non-resident, use Form NRTA1, *Authorization for Non-Resident Tax Exemption.* Attach a copy of your T4A or NR4B Supplementary slips showing the retiring allowance and your RPP or RRSP receipt to your return.

Example

In 1994, Bill is entitled to receive a retiring allowance of $40,000. The $40,000 will be shown in box 26 of his T4A Supplementary slip. The footnote on Bill's T4A Supplementary slip will show $15,000 as an ineligible amount.

Bill can transfer $25,000 ($40,000 – $15,000), which is the eligible part of his retiring allowance, to his RPP or RRSP. To transfer the amount directly and avoid having income tax deducted at source, Bill should complete Form TD2 and give it to his employer.

If you want to know more about the calculation of your eligible retiring allowance, contact your employer. For more information, get a copy of IT-337, *Retiring Allowances*, from your income tax office.

Transfer of your periodic RPP or DPSP payments to your spouse's RRSP

You can transfer up to $6,000 of periodic RPP or DPSP payments you received in 1994 to your spouse's RRSP, if your spouse is under 72 throughout the year in which you make the transfer. The amount you can deduct for this type of transfer is limited to the **least** of the following three amounts:

- $6,000;
- the amount of periodic RPP and DPSP payments you received and included in your income for 1994; and
- the amount you transferred in the year, or no later than 60 days after the end of the year, to an RRSP under which your spouse is the annuitant, as long as you did not deduct this amount for a preceding year.

If you transfer these types of payments, you have to file with your 1994 return a completed Schedule 7, *Registered Retirement Savings Plan (RRSP) Transfers and Unclaimed Contributions.* This schedule will be accepted as your designation of amounts transferred. A copy of Schedule 7 is included in the *General Income Tax Guide* for 1994.

You deduct this transfer on line 208 of your return. This deduction **does not apply** to Old Age Security payments or to Canada or Quebec Pension Plan payments you receive.

If the DPSP trustee transfers your DPSP payments to a person licensed to carry on an annuities business in Canada to purchase an annuity for you, the resulting annuity payments are not payments from a DPSP. In such cases, you cannot transfer any part of the annuity payments to your spouse's RRSP.

Note

Remember that you cannot deduct amounts contributed to your own RRSP for any part of your periodic RPP and DPSP payments received.

Example

Kevin retired on December 1, 1991. He was 57 years old. In 1994, he received $8,000 of DPSP periodic payments, and $22,000 of RPP periodic payments.

Kevin is married to Roslyn, who is 56 years old. In September 1994, Kevin transferred the maximum deductible amount of $6,000 to Roslyn's RRSP.

Kevin designates the $6,000 by filing a completed Schedule 7 with his 1994 return. Kevin should remember to deduct the $6,000 on line 208 of his 1994 return. Also, Kevin has to report his DPSP payments ($8,000) on line 130 of his return, and his RPP payments ($22,000) on line 115 of his return.

Kevin cannot deduct amounts contributed to his own RRSP for any part of his periodic DPSP or RPP payments he received in 1994. Consequently, he did not contribute any amounts to his own RRSP based on this income.

For 1992, 1993, and 1994, after an individual dies, his or her legal representative can make a transfer to the surviving spouse's RRSP of up to $6,000 of periodic payments received in the year of death from the deceased's RPP or DPSP. This transfer has to be made in the year of death or no later than 60 days after the end of that year. An RRSP deduction of up to $6,000 can be claimed on the deceased's return for such a transfer.

Tax Tip

Your 1994 return is the last return on which you can deduct up to $6,000 for periodic RPP or DPSP payments you or your legal representative transferred to your spouse's RRSP.

Transfer of RRSP refund of premiums

Refund of premiums — A refund of premiums is an amount paid from a deceased annuitant's RRSP to a surviving spouse or financially dependant child or grandchild. In the case of a surviving spouse, only amounts paid from an **unmatured** RRSP can be a refund of premiums. In the case of a financially dependant child or grandchild, amounts paid from **unmatured** or **matured** RRSPs can be a refund of premiums.

The spouse or financially dependant child or grandchild may choose to report all or part of the refund of premiums as their income, transfer all or part of the refund of premiums to their RRSP or RRIF, or to an issuer to buy an annuity, and claim a deduction for the amount transferred.

If you receive or are considered to receive a refund of premiums, refer to the charts on the next 2 pages to get information for your return and the return for the deceased annuitant.

Refund of premiums from unmatured RRSP — spouse

Spouse — beneficiary of the RRSP.

Information for your return

- The amount you receive from the RRSP is a refund of premiums and is reported in box 18 or box 34 of the 1994 T4RSP Supplementary slip issued in your name.
- You have to include this amount in your income to the extent it has not been included on the deceased's return. Report the amount on line 129 of your 1994 return.
- You can transfer, for 1994, all or part of this amount to your RRSP (provided you are under 72 throughout the year in which the transfer is made) or RRIF, or to an issuer to buy an eligible annuity.
- If you transfer an amount, you have to do so in 1994 or no later than March 1, 1995.
- You can claim a deduction for the amount you transfer and include in your income for 1994. The refund of premiums does not have to be transferred directly in order to deduct the contribution.
- If the amount is transferred to your RRSP, you claim the deduction on line 208 of your 1994 return. If the amount is transferred to your RRIF or to an issuer to buy an annuity, you claim the deduction on line 232 of your 1994 return. Attach official RRSP receipts to your return to support your claim.

Information for the deceased's return

- The fair market value of the property in the RRSP at the time of death has to be included in the deceased's income for the year of death. If you include a refund of premiums in your income, the amount included on the deceased's return may be reduced. To determine the correct amount to be reported on the deceased's return, refer to the calculation on Form T2019, *Designating an Amount Received From an RRSP to be a Refund of Premiums.*
- If an adjustment to the deceased's return is required, the legal representative should attach to the deceased's return and your return a note or letter stating that a reduction under subsection 146(8.9) of the *Income Tax Act* is being requested. A copy of the calculation, including an indication of the fair market value of the property in the RRSP at the time of death, should also be attached.

Spouse — beneficiary of the estate.

Information for your return

- You and the estate's legal representative can jointly designate, by filing with Revenue Canada, a completed Form T2019, *Designating an Amount Received From an RRSP to be a Refund of Premiums*, to treat all or part of the amounts paid from the deceased annuitant's RRSP in 1994 to the estate as being received by you as a refund of premiums for 1994. A copy of Form T2019 has to be attached to your return. Complete a separate Form T2019 for each RRSP.
- The maximum amount that you can choose to designate as a refund of premiums for 1994 is the total of all amounts shown in box 34 of the 1994 T4RSP Supplementary slips issued in the name of the estate. You can choose to designate all or part of this amount.
- Report the amount you designate on line 129 of your 1994 return.
- You can transfer, for 1994, all or part of the amount you designate to your RRSP (provided you are under 72 throughout the year the transfer is made) or RRIF, or to an issuer to buy an eligible annuity.
- If you transfer an amount, you have to do so in 1994 or no later than March 1, 1995.
- You can claim a deduction for the amount you transfer and include in your income for 1994. The refund of premiums does not have to be transferred directly in order to deduct the contribution.
- If the amount is transferred to your RRSP, you claim the deduction on line 208 of your 1994 return. If the amount is transferred to your RRIF or to an issuer to buy an annuity, you claim the deduction on line 232 of your 1994 return. Attach official RRSP receipts to your return to support your claim.

Information for the deceased's return

- The fair market value of the property in the RRSP at the time of death has to be included in the deceased's income for the year of death. If you include a refund of premiums in your income, the amount included on the deceased's return may be reduced. To determine the correct amount to be reported on the deceased's return, refer to the calculation on Form T2019.
- If an adjustment to the deceased's return is required, the legal representative should attach to the deceased's return and your return a note or letter stating that a reduction under subsection 146(8.9) of the *Income Tax Act* is being requested. A copy of the calculation, including an indication of the fair market value of the property in the RRSP at the time of death, should also be attached.

Refund of premiums from RRSP — child or grandchild of the deceased annuitant

Child or grandchild — beneficiary of the RRSP

Information for your return

- If the deceased annuitant did not have a spouse at the time of death, and you are a child or grandchild of the deceased that was financially dependent on the deceased for support at the time of death (see the explanation of "financially dependent" on page 35), the amount you receive from any of the deceased's RRSPs is considered a refund of premiums.
- The amount that is a refund of premiums is the total of all amounts reported in box 34 of the 1994 T4RSP Supplementary slips issued in your name.
- You have to include this amount in your income to the extent it has not been included on the deceased's return. Report the amount on line 129 of your 1994 return.
- If you were dependent on the deceased annuitant because of a physical or mental infirmity, you may transfer all or part of the refund of premiums to your RRSP or RRIF, or to an issuer to buy an immediate annuity.
- If you were **not** dependant on the annuitant because of a physical or mental infirmity, the refund of premiums can only be used to purchase a term annuity. The annuity can provide for payments based on a period of not more than 18 years, minus your age at the time of its purchase. Payments from the annuity have to begin within one year of the annuity's purchase.
- If you transfer an amount, you have to do so in 1994 or no later than March 1, 1995.
- You can claim a deduction for the amount you transfer and include in your income for 1994. The refund of premiums does not have to be transferred directly in order to deduct the contribution.
- If the amount is transferred to your RRSP, you claim the deduction on line 208 of your 1994 return. If the amount is transferred to your RRIF or to an issuer to buy an immediate or term annuity, you claim the deduction on line 232 of your 1994 return. Attach official RRSP receipts to your return to support your claim.

Information for the deceased's return

- The fair market value of the property in the RRSP at the time of death has to be included in the deceased's income for the year of death. If you include a refund of premiums in your income, the amount included on the deceased's return may be reduced. To determine the correct amount to be reported on the deceased's return, refer to the calculation on Form T2019, *Designating an Amount Received From an RRSP to be a Refund of Premiums.*
- If an adjustment to the deceased's return is required, the legal representative should attach to the deceased's return and your return a note or letter stating that a reduction under subsection 146(8.9) of the *Income Tax Act* is being requested. A copy of the calculation, including an indication of the fair market value of the property in the RRSP at the time of death, should also be attached.

Child or grandchild — beneficiary of the estate.

Information for your return

- If the deceased annuitant did not have a spouse at the time of death, and you are a child or grandchild of the deceased that was financially dependent on the annuitant for support at the time of death (see the explanation of "financially dependent" on page 35), you and the estate's legal representative can jointly designate, by filing with Revenue Canada a completed Form T2019, *Designating an Amount Received From an RRSP to be a Refund of Premiums*, to treat all or part of the amounts paid from any of the deceased's RRSPs in 1994 to the estate, as being received by you as a refund of premiums for 1994. A copy of Form T2019 has to be attached to your return. Complete a separate Form T2019 for each RRSP.
- The maximum amount that you can designate as a refund of premiums for 1994 is the total of all amounts shown in box 34 of the 1994 T4RSP Supplementary slips issued in the name of the estate. You can choose to designate all or part of this amount.
- Report the amount you designate on line 129 of your 1994 return.
- If you were dependent on the deceased annuitant because of a physical or mental infirmity, you may transfer all or part of the amount to your RRSP or RRIF, or to an issuer to buy an immediate annuity.
- If you were **not** dependant on the annuitant because of a physical or mental infirmity, the refund of premiums can only be used to purchase a term annuity. The annuity can provide for payments based on a period of not more than 18 years, minus your age at the time of its purchase. Payments from the annuity have to begin within one year of the annuity's purchase.
- If you transfer an amount, you have to do so in 1994 or no later than March 1, 1995.
- You can claim a deduction for the amount you transfer and include in your income for 1994. The refund of premiums does not have to be transferred directly in order to deduct the contribution.
- If the amount is transferred to your RRSP, you claim the deduction on line 208 of your 1994 return. If the amount is transferred to your RRIF or to an issuer to buy an immediate or term annuity, you claim the deduction on line 232 of your 1994 return. Attach official RRSP receipts to your return to support your claim.

Information for the deceased's return

- The fair market value of the property in the RRSP at the time of death has to be included in the deceased's income for the year of death. If you include a refund of premiums in your income, the amount included on the deceased's return may be reduced. To determine the correct amount to be reported on the deceased's return, refer to the calculation on Form T2019.
- If an adjustment to the deceased's return is required, the legal representative should attach to the deceased's return and your return a note or letter stating that a reduction under subsection 146(8.9) of the *Income Tax Act* is being requested. A copy of the calculation, including an indication of the fair market value of the property in the RRSP at the time of death, should also be attached.

Financially dependent — If the annuitant died in 1994 and you are a child or grandchild of the deceased annuitant, you are considered **financially dependent** on the annuitant at the time of death if your income for 1993 is $6,456 or less.

If your income is over $6,456 for 1993, you are not considered to be financially dependent on the annuitant at the time of death, unless the contrary can be established. In such a case, the legal representative should submit a request in writing to your income tax office outlining the reasons why you should be considered financially dependent on the annuitant at the time of death.

Example

David Crocker died in 1994. At the time of his death, David had an unmatured RRSP with a fair market value of $85,000. David had no spouse at the time of his death. David's granddaughter Gertrude was named as beneficiary of the RRSP. Although Gertrude was living with her step-father, Clarence, David had provided for all her living expenses since 1990. Gertrude's income for 1993 was $2,300.

Because Gertrude was financially dependent on David at the time of death and because her income for 1993 was less than $6,456, any amount she receives from the RRSP is a refund of premiums.

For more information on RRSP refund of premiums, see Interpretation Bulletin IT-500, *Registered Retirement Savings Plans (maturing after June 29, 1978) Death of Annuitant after June 29, 1978.*

Transfer of a designated benefit from a RRIF

For deaths occurring in 1993 and later years, there is a new term called designated benefit. A designated benefit includes an amount paid from the deceased annuitant's RRIF to the surviving spouse. If the deceased RRIF annuitant had no spouse at the time of death, any amount paid from the deceased annuitant's RRIFs to a financially dependent child or grandchild of the annuitant is a designated benefit. A designated benefit may also include an amount paid from the RRIF to the legal representative of the deceased RRIF annuitant's estate.

You may be eligible to report in your income all or part of a designated benefit you receive. In addition, all or part of a designated benefit you receive may be eligible for transfer to your RRSP or RRIF, or to an issuer to buy an eligible annuity.

If you receive or are considered to receive a designated benefit, refer to the charts on the next 2 pages to get information for your return and for the return of the deceased annuitant.

Designated benefit — spouse

Spouse — beneficiary of the RRIF

Information for your return

- The designated benefit you receive from the RRIF in 1994 is shown in box 16 or 18 of your 1994 T4RIF Supplementary slip.
- You have to include this amount in your income for 1994 to the extent it has not been included in the deceased's income. You include the amount on line 115 of your 1994 return.
- You may be eligible to transfer, for 1994, all or part of the designated benefit to your RRSP (if you are under 72 throughout the year in which the transfer is made) or RRIF, or to an issuer to buy an eligible annuity.
- If you transfer an amount, you have to do so in 1994 or no later than March 1, 1995.
- To calculate the amount of the designated benefit you can transfer, refer to the formula on the back of Form T1090, *Designating an Amount Received From a RRIF to be a Designated Benefit*. You may choose to transfer less than the amount of designated benefit you calculate as eligible for transfer.
- You can claim a deduction for the amount you transfer and include in your income for 1994. You do not have to have a designated benefit transferred directly in order to deduct the contribution.
- If the amount is transferred to your RRSP, you claim the deduction on line 208 of your 1994 return. If the amount is transferred to a RRIF or to an issuer to buy an annuity, you claim the deduction on line 232 of your 1994 return. Attach official RRSP receipts to your return to support your claim.

Information for the deceased's return

- The fair market value of the property in the RRIF at the time of death has to be included in the deceased's income for the year of death. If you include a designated benefit in your income, the amount reported on the deceased's return may be reduced. To determine the amount to be reported on the deceased's return, you can refer to the formula on the back of Form T1090.
- If an adjustment to the deceased's return is required, the legal representative should attach to the deceased's return and your return a note or letter stating that a reduction under subsection 146.3(6.2) of the *Income Tax Act* is being requested. A copy of the calculation, including an indication of the fair market value of the property in the RRIF at the time of death, should also be attached.

Spouse — beneficiary of the estate.

Information for your return

- You and the estate's legal representative can jointly designate, by filing with Revenue Canada a completed Form T1090, *Designating an Amount Received From a RRIF to be a Designated Benefit*, to treat all or part of the amounts paid from the deceased annuitant's RRIF in 1994 to the estate as a designated benefit received by you in for 1994. A copy of completed Form T1090 has to be attached to your return. Complete a separate Form T1090 for each RRIF.
- The amount you can designate is the total of amounts reported in box 18 of the 1994 T4RIF Supplementary slips issued in the name of the estate. You can choose to designate all or part of this amount.
- Report the amount you designate as income on line 115 of your 1994 return.
- You may be eligible to transfer, for 1994, all or part of the amount you designate to your RRSP (if you are under 72 throughout the year in which the transfer is made) or your RRIF, or to an issuer to buy an eligible annuity.
- If you transfer an amount, you have to do so in 1994 or no later than March 1, 1995.
- To calculate the amount of designated benefit you can transfer refer to the formula on the back of Form T1090. You may choose to transfer less than the amount you calculate as eligible for transfer.
- You can claim a deduction for the amount you transfer and include in your income for 1994. You do not have to have a designated benefit transferred directly in order to deduct the contribution.
- If the amount is transferred to your RRSP, you claim the deduction on line 208 of your 1994 return. If the amount is transferred to your RRIF or to an issuer to buy an annuity, you claim the deduction on line 232 of your 1994 return. Attach official RRSP receipts to your return to support your claim.

Information for the deceased's return

- The fair market value of the property in the RRIF at the time of death has to be included in the deceased's income for the year of death. If you include a designated benefit in your income, the amount reported on the deceased's return may be reduced. To determine the amount to be reported on the deceased's return, you can refer to the formula on the back of Form T1090.
- If an adjustment to the deceased's return is required, the legal representative should attach to the deceased's return and your return a note or letter stating that a reduction under subsection 146.3(6.2) of the *Income Tax Act* is being requested. A copy of the calculation, including an indication of the fair market value of the property in the RRIF at the time of death, should also be attached.

Designated benefit — child or grandchild of the deceased annuitant

Child or grandchild — beneficiary of the RRIF

Information for your return

- If at the time of death the RRIF annuitant had no spouse, and you are a child or grandchild of the deceased that was financially dependent on the deceased for support at the time of death (see the explanation of "financially dependent" on page 35), an amount paid from any of the deceased's RRIFs to you is a designated benefit.
- The amount you receive as a designated benefit is the total of amounts reported in box 18 of the 1994 T4RIF Supplementary slip issued in the name the child or grandchild. .
- You have to include this amount in your income for 1994 to the extent it has not been included in the deceased's income. You include the amount on line 130 of your 1994 return.
- If you were dependent on the annuitant because of a physical or mental infirmity, you may be eligible to transfer all or part of the designated benefit to your RRSP or RRIF, or to an issuer to buy an immediate annuity. If you were **not** dependent on the annuitant because of a physical or mental infirmity, you can only transfer all or part of the designated benefit to an issuer to buy a term annuity for yourself. The annuity can provide for payments based on a period of not more than 18 years, minus your age at the time of its purchase. Payments from the annuity have to begin no later than one year after the annuity's purchase.
- If you transfer an amount, you have to do so in 1994 or no later than March 1, 1995.
- To calculate the amount of the designated benefit you can transfer, refer to the formula on the back of Form T1090, *Designating an Amount Received From a RRIF to be a Designated Benefit.* You may choose to transfer less than the amount of designated benefit you calculate as eligible for transfer.
- You can claim a deduction for the amount you transfer and include in your income for 1994. You do not have to have a designated benefit transferred directly in order to deduct the contribution.
- If the amount is transferred to your RRSP, you claim the deduction on line 208 of your 1994 return. If the amount is transferred to your RRIF or to an issuer to buy an immediate or term annuity, claim the deduction on line 232 of your 1994 return. Attach official RRSP receipts to your return to support your claim.

Information for the deceased's return

- The fair market value of the property in the RRIF at the time of death has to be included in the deceased's income for the year of death. If you include a designated benefit in your income, the amount reported on the deceased's return may be reduced. To determine the amount to be reported on the deceased's return, you can refer to the formula on the back of Form T1090.
- If an adjustment to the deceased's return is required, the legal representative should attach to the deceased's return and your return a note or letter stating that a reduction under subsection 146.3(6.2) of the *Income Tax Act* is being requested. A copy of the calculation, including an indication of the fair market value of the property in the RRIF at the time of death, should also be attached.

Child or grandchild — beneficiary of the estate.

Information for your return

- If at the time of death a RRIF annuitant had no spouse, and you are a child or grandchild of the deceased that was financially dependent on the deceased for support at the time of death (see the explanation of "financially dependent" on page 35), you and the estate's legal representative can jointly designate, by filing with Revenue Canada a completed Form T1090, *Designating an Amount Received From a RRIF to be a Designated Benefit,* to treat all or part of the amounts paid from any of the deceased's RRIFs to the deceased's estate in 1994, as being received by you as a designated benefit for 1994. A copy of completed Form T1090 has to be attached to your return. Complete a separate Form T1090 for each RRIF the deceased has.
- The amount you can designate is the total of amounts reported in box 18 of the 1994 T4RIF Supplementary slips issued in the name of the estate. You can choose to designate all or part of this amount.
- Report the amount you designate on line 130 of your 1994 return.
- If you were dependent on the annuitant because of a physical or mental infirmity, you may be eligible to transfer all or part of the designated benefit to your RRSP or RRIF, or to an issuer to buy an immediate annuity. If you were **not** dependent on the annuitant because of a physical or mental infirmity, you can only transfer all or part of the designated benefit to buy a term annuity for yourself. The annuity can provide for payments based on a period of not more than 18 years, minus your age at the time of its purchase. Payments from the annuity have to begin no later than one year after the annuity's purchase.
- If you transfer an amount, you have to do so in 1994 or no later than March 1, 1995.
- To calculate the amount of the designated benefit you can transfer, refer to the formula on the back of Form T1090. You may choose to transfer less than the amount of designated benefit you calculate as eligible for transfer.
- You can claim a deduction for the amount you transfer and include in your income for 1994. You do not have to have a designated benefit transferred directly in order to deduct the contribution.
- If the amount is transferred to your RRSP, you claim the deduction on line 208 of your 1994 return. If the amount is transferred to your RRIF or to an issuer to buy an immediate or term annuity, you claim the deduction on line 232 of your 1994 return. Attach official RRSP receipts to your return to support your claim.

Information for the deceased's return

- The fair market value of the property in the RRIF at the time of death has to be included in the deceased's income for the year of death. If you include a designated benefit in your income, the amount reported on the deceased's return may be reduced. To determine the amount to be reported on the deceased's return, you can refer to the formula on the back of Form T1090.
- If an adjustment to the deceased's return is required, the legal representative should attach to the deceased's return and your return a note or letter stating that a reduction under subsection 146.3(6.2) of the *Income Tax Act* is being requested. A copy of the calculation, including an indication of the fair market value of the property in the RRIF at the time of death, should also be attached.

Transfer of pension benefits and certain other qualifying income

In this section, we describe certain types of income that you have to include in your 1994 income and which you can transfer to your RPP or RRSP and deduct for 1994. Remember, you can only contribute to your RRSP up to the end of the year in which you turn 71.

- You can transfer to your RPP or RRSP **a lump-sum payment from a non-registered pension plan** for services rendered by you, your spouse, or former spouse in a period throughout which you, your spouse, or former spouse were not resident in Canada. If you deduct any amount for the part of the lump-sum payment exempt from tax because of a tax treaty with another country, you cannot also deduct that exempt part as a transfer to your RPP or RRSP.
- You can transfer to your RPP or RRSP **amounts an estate or testamentary trust designates as pension income** eligible for transfer, as well as certain DPSP payments received by the estate or testamentary trust and included in your income for the year. You can find these amounts in box 22 of your T3 Supplementary slip issued for 1994.
- You can transfer to your RPP or RRSP lump-sum payments you receive from certain **American Individual Retirement Arrangements** (IRA), as long as the amounts are derived from contributions made to the IRA by you, your spouse, or your former spouse, and these amounts would be taxable in the United States if you were a resident of the United States. This rule applies to lump-sum payments you received from custodial, trusteed, and annuity IRAs.
- If you are entitled to a **DPSP lump-sum payment that includes shares of certain corporations**, you may be able to transfer and deduct an amount up to the cost amount of those shares. For more information see "Exception to a direct transfer of a DPSP lump-sum payment" on page 40.
- You can deduct amounts you contribute, including repayments and related interest expenses that you made pursuant to a proposed prescribed statutory provision, to your RPP for periodic pension payments you received in the year from an RPP, if you contribute these amounts for **service you performed in 1989 or earlier years**. To be deductible, your contributions have to be made under an agreement you signed before March 28, 1988. The amount you can deduct is the lower of the contributions you make in the year, or the periodic RPP payments you received in the year and did not transfer to a spousal RRSP. This also applies for 1990, 1991, 1992, and 1993. If you contributed such amounts to an RPP in those years, you can write to us and ask that we reassess your return or returns.

You have to record amounts you transfer on new Schedule 7, *Registered Retirement Savings Plan (RRSP) Transfers and Unclaimed Contributions*. For more details, refer to Schedule 7 in your 1994 *General Income Tax Guide*.

Types of payments that have to be transferred directly

In this section, you can find information about payments that have to be transferred directly to an RPP, DPSP, RRSP, or RRIF. If you are paid the amount (e.g. in cash or by cheque), you have to include it in your income for the year it was paid, and the opportunity to transfer the amount directly to an RPP, DPSP, RRSP, or RRIF, on a tax-free basis is not available. Therefore, if you want to transfer an amount we describe in the following sections to your RPP, DPSP, RRSP, or RRIF, **make sure it is transferred directly**.

Direct transfer of RPP amounts

Generally, you do not have to include in your income any part of an RPP lump-sum payment that was transferred directly to another registered plan or fund, and you cannot deduct it. In some cases, however, the *Income Tax Act* limits how much of an RPP lump sum can be transferred to another registered plan or fund without you having to include an amount in your income. For more information, see "Direct transfer of an excess RPP lump-sum payment" on page 39.

You can use Form T2151, *Direct Transfer of a Single Amount Under Subsection 147(19) or Section 147.3*, to instruct the RPP administrator to make a direct transfer for you.
Form T2151 was designed to provide you with a record of the transfer. You do not have to use the form to have the transfer made.

Direct transfer of an RPP lump–sum payment to an RPP, RRSP, or RRIF

If you are entitled to receive a lump-sum payment from your RPP or from your spouse or former spouse's RPP because your spouse or former spouse dies, you can ask the plan administrator to transfer directly any part of the payment to:

- another RPP for your benefit;
- your RRSP, if you are under 72 throughout the year in which the transfer is made; or
- your RRIF.

Example

George was a member of his employer's RPP until he died in 1994. Since he had named his wife Nancy as the beneficiary under the RPP in the event of his death, she is entitled to a lump-sum payment from the RPP. The lump sum represents a return of the contributions George made to the plan.

Nancy can use Form T2151 to instruct the RPP administrator to transfer directly the payment to her RRIF. Nancy does not include as income any part of the transferred payment, and cannot deduct any part of it.

Direct transfer of an RPP lump-sum payment because of a marriage breakdown

If you are entitled to a lump-sum payment from your spouse's or former spouse's RPP, you can, in some cases, have any part of the lump sum transferred directly to:

- another RPP for your benefit;
- your RRSP, if you are under 72 throughout the year in which the transfer is made; or
- your RRIF.

You can have the transfer made for you if:

- you are entitled to the payment under a decree, order, judgment of a court, or a written agreement relating to a division of property between you and your spouse or former spouse; and
- the property is being divided to settle rights arising from the breakdown of your marriage.

You or your spouse or former spouse do not include as income the lump sum that is transferred directly under these rules, and you or your spouse or former spouse cannot deduct it.

Example

Janice's former husband, Bob, has been a member of his employer's RPP. After their separation, in 1994, a court ordered a division of the property that arose from the marriage, and awarded Janice 50% of the value of Bob's pension benefit at the time the marriage broke down.

Janice can use Form T2151 to instruct the RPP administrator to transfer directly the amount to her RRSP. Neither Janice nor Bob report as income the lump sum that was transferred, and neither of them can deduct it.

Direct transfer of an excess RPP lump-sum payment

If you have an RPP lump-sum payment transferred directly to another RPP, to an RRSP, or to a RRIF, in most cases, you do not have to include any part of the payment in your income, and you cannot deduct it. However, the *Income Tax Act* sometimes limits how much of an RPP lump-sum payment can be transferred directly to such registered plans or funds without you having to include an amount in your income. If an amount transferred for you is more than these limits, you have to include the excess transfer in your income. You should get a T4A Supplementary slip that shows the excess transfer as pension income, which you report on your return.

If the excess transfer is made to your RRSP, you are considered to have contributed it to the RRSP in the year in which it is transferred. You should get an official RRSP receipt for this contribution. Similarly, if the excess transfer is made to your RRIF, you are considered to have contributed it to your RRSP, even though it was transferred to your RRIF. You should also get an official RRSP receipt for this contribution.

You can deduct these RRSP contributions up to your RRSP deduction limit for the year in which the transfer was made. If you cannot deduct them because they are greater than your RRSP deduction limit for the year, you have options. You can leave them in your RRSP or your RRIF and deduct them for future years up to your RRSP deduction limit for those years, or you can withdraw them if they are not locked-in.

If you leave them in your RRSP or your RRIF and deduct them for a future year, remember that you may be subject to the 1% per month tax on RRSP excess contributions during the period they stay in the RRSP or the RRIF. For more information, see "Tax on excess RRSP contributions made in 1991 and later years" on page 21.

Withdrawal from an RRSP or RRIF — If you withdraw funds from an RRSP or RRIF in 1994 and you did not deduct the RRSP contributions that you are considered to have contributed for the excess transfer, a deduction is available for the amount not deducted if you included the excess transfer in your income in the year you received it. If you did not include the excess transfer in your income, the deduction is not available.

You can use Form T1043, *Calculating Your Deduction to Offset RRSP or RRIF Income if an Excess Amount From an RPP Has Been Transferred to an RRSP or a RRIF*, to calculate your deduction. You deduct the amount on line 232 of your return.

Note

You cannot use the following forms to have your excess transfer withdrawal exempted from tax withholding:

- Form T3012A, *Tax Deduction Waiver on the Refund of Your Undeducted RRSP Contributions Made in 19__*; or
- Form T3012, *Application for Refund of RRSP Excess Contributions Made in 19__*.

In addition, you cannot use Form T746, *Calculating Your Deduction for Refund of Undeducted or Excess RRSP Contributions*, to calculate how much you can deduct.

Direct transfer of DPSP amounts

Direct transfer of a DPSP lump-sum payment

If you are entitled to receive a lump-sum payment from your DPSP or your spouse's DPSP because your spouse dies, you can ask your DPSP trustee to transfer directly any part of the payment to:

- an RPP for your benefit;
- your RRSP, if you are under 72 throughout the year in which the transfer is made; or
- another DPSP for your benefit, if it can reasonably be expected that the recipient DPSP will have at least five beneficiaries throughout the year in which the transfer is made.

The term **beneficiary** for this purpose means any person who is entitled to benefits from a DPSP, including:

- an employee or former employee for whom the employer has contributed amounts to the plan; or
- in the case of death, the estate or person designated as the beneficiary by the employee or former employee.

If you are paid the lump sum (e.g., in cash or by cheque), you have to include it in your income for the year you were paid, and the opportunity to transfer it to another registered plan or fund on a tax-free basis is not available. Therefore, if you want to transfer your lump sum to another registered plan, make sure it is transferred directly. You do not report as income the part of a DPSP lump-sum payment that is transferred directly, and you cannot deduct it.

You can use Form T2151, *Direct Transfer of a Single Amount under Subsection 147(19) or Section 147.3*, to instruct the DPSP trustee to make the direct transfer for you. Form T2151 provides you with a record of the transfer. You do not have to use the form to have the transfer made.

Example

Richard quit working in 1994 and was entitled to receive a lump-sum payment from his former employer's DPSP. Richard wanted to transfer all of the lump sum to his RRSP. He used Form T2151 to instruct the DPSP trustee to transfer the payment directly to his RRSP. The trustee transferred the amount on September 1, 1994.

Richard does not include the transferred amount as income on his return, and he does not deduct it, since it was transferred directly.

If Richard had the lump sum paid to him in 1994, he would have to include the payment in his income for 1994, and he would not be able to transfer any part of it to his RRSP.

Exception to a direct transfer of a DPSP lump-sum payment

An exception to the rule that requires a DPSP lump-sum payment to be transferred directly may apply if part of the payment is shares of a corporate employer that contributed to the DPSP, or shares of a corporation with which the employer did not deal at arm's length. The exception applies if:

- you receive the lump-sum payment while you are resident in Canada when you withdraw from the plan, you retire from employment, or when an employee or former employee dies; and
- you elect, using Form T2078, *Election under Subsection 147(10.1) in Respect of a Single Payment Received from a Deferred Profit Sharing Plan*, to include in your income only the cost amount to the DPSP of the employer shares you received, instead of the fair market value of the shares.

Tax Tip

This election will benefit you if the fair market value of the employer shares that you will receive as a single payment is more than the cost amount of the shares to the plan.

For the election to be valid, you have to file a completed Form T2078 with the DPSP trustee, no later than 60 days after the end of the year in which you receive the payment. You also have to file a copy of that completed form with your tax return for the same year, and you have to file it by the due date of your return.

If you make a valid election, an amount equal to the cost amount of those shares becomes an amount eligible for contribution to your RRSP or RPP, and you can contribute any amount up to that cost amount. The amount on Form T2078 referred to as "Total Cost Amount to Plan" is the cost amount of the shares. You have to contribute the amount to your RRSP or RPP in the year that the DPSP payment is received, or no later than 60 days after the end of that year. You can then deduct the amount contributed when you calculate your income. If you want to contribute the amount to your RRSP, remember that you have to be under 72 throughout the year in which you make your contribution.

If you want more details about this election, see the current version of Interpretation Bulletin IT-281, *Elections on Single Payments from a Deferred Profit-Sharing Plan.*

Direct transfer of RRSP amounts

Direct transfer of an RRSP commutation payment or property from an unmatured RRSP

You can have any part of your RRSP commutation payment or property from an unmatured RRSP transferred directly to:

- another one of your RRSPs if you are under 72 throughout the year in which the payment is transferred;
- your RRIF; or
- an issuer to buy an eligible annuity for you.

Commutation payment — An RRSP commutation payment is a lump-sum payment equal to the current value of all or part of your future annuity payments from the RRSP. Your RRSP annuity contract may permit you to commute your annuity.

If you commute it, your payment will be reported in box 22 of your T4RSP Supplementary slip for the year in which the annuity was commuted. You have to include the commutation payment as income on line 129 of your return.

To instruct your issuer to transfer directly to your RRSP the commutation payment, you can use Form T2030, *Direct Transfer Under Subparagraph 60(l)(v)*. If you are paid the commutation payment (e.g., in cash or by cheque), you cannot transfer it. You deduct the part transferred directly to your RRSP on line 208 of your return. If the transfer was to your RRIF or to buy an eligible annuity for yourself, deduct the amount on line 232 of your return. Attach to your return the official receipt you received from the RRSP or annuity issuer, or the RRIF carrier.

Unmatured RRSP — An unmatured RRSP is one that has not started to pay you retirement income.

To instruct your issuer to transfer directly property from an unmatured RRSP, you can use Form T2033, *Direct Transfer Under Paragraph 146(16)(a) or 146.3(2)(e)*. If you have property transferred from your unmatured RRSP in this way, do not report the transaction on your return.

If the funds are paid to you (e.g., in cash or by cheque), you cannot have them transferred, and you have to include the payment in your income for the year you receive it.

Direct transfer of property from an unmatured RRSP because of a marriage breakdown

If you are entitled to receive property from your spouse's or former spouse's unmatured RRSP, in some cases, you can have any part of that property transferred directly to your RRSP or to your RRIF. You can have this transfer made for you if:

- it is made under a decree, order, or judgment of a court, or a written separation agreement, relating to a division of property between you and your spouse or former spouse;
- the property is being divided to settle rights arising from the breakdown of your marriage; and
- you and your spouse or former spouse are living separate and apart.

Your spouse or former spouse should use Form T2220, *Transfer From an RRSP or a RRIF to Another RRSP or RRIF on Marriage Breakdown*, to have this transfer made for you. Remember, you can only have property transferred to your RRSP up to the end of the year in which you turn 71. If you or your spouse or former spouse are paid the amount (e.g., in cash or by cheque), it cannot be transferred without tax consequences.

You or your spouse or former spouse do not include as income the amount that is transferred directly under these rules, and you or your spouse or former spouse cannot deduct them.

Direct transfer of RRIF amounts

Direct transfer of an excess amount from a RRIF

If you are entitled, as the annuitant of a RRIF, to receive an excess amount from the RRIF in a year, you can have any part of it transferred directly to:

- another one of your RRIFs;
- your own RRSP, if you are under 72 throughout the year in which the transfer is made; or
- an issuer to buy an eligible annuity for you.

If a RRIF annuitant died in 1992 or a prior year, the surviving spouse may claim a deduction for the transfer of the excess amount from the RRIF to his or her own RRSP (if he or she is under 72 throughout the year of transfer), or RRIF, or to an issuer to buy an eligible annuity. This deduction is available for the 1993 through 1996 taxation years, as long as the excess amount is transferred on a direct basis and is included in the surviving spouse's income for the year that the excess amount is transferred. The excess amount is that part of the amount the surviving spouse is entitled to receive from the RRIF that is more than the minimum amount that remains to be paid in the year the RRIF annuitant dies.

Use Form T2030, *Direct Transfer Under Subparagraph 60(l)(v)*, to instruct the RRIF carrier to transfer directly the RRIF excess amount. If you are paid the excess amount (e.g., in cash or by cheque), you cannot transfer any part of it. For deaths occurring in 1992 and prior years, if the excess amount from the RRIF is paid to the surviving spouse (e.g., in cash or by cheque), the surviving spouse cannot transfer any part of it.

The RRIF carrier will show the excess amount in box 24 of your T4RIF Supplementary slip. The excess is already included in the amount shown in box 16. Therefore, simply include in income the total amount shown in box 16 of your T4RIF Supplementary slip. Deduct on line 232 of your return the part of your excess amount transferred directly to another RRIF, or used to buy an eligible annuity for you. Deduct on line 208 of your return the excess amount transferred directly to an RRSP. Be sure to attach to your return an official receipt from the carrier or issuer to support your claim.

Direct transfer of your RRIF property to another RRIF

You can have your RRIF property transferred **directly** to another one of your RRIFs. You have to use Form T2033, *Direct Transfer Under Paragraph 146(16)(a) or 146.3(2)(e)*, to have your RRIF carrier transfer your RRIF property. If you are paid the amount (e.g., in cash or by cheque), you have to include the amount in your income for the year you are paid it, and you cannot transfer it without tax consequences.

Example

Angela started a RRIF in December 1990 that pays her the minimum amount each year. In 1994, Angela decided to transfer the balance of the RRIF property to another RRIF carrier and advised her carrier by completing Form T2033. The carrier kept enough funds to pay her the minimum amount for 1994, and transferred directly the balance to the new carrier. Since the transfer was direct, she does not report the amount transferred as income, and she cannot deduct it on her 1994 return.

If her first RRIF had been set up to pay excess amounts to her, and she decided to transfer directly all or part of the excess amount to another RRIF, she would have completed Form T2030, *Direct Transfer Under Subparagraph 60(l)(v)*.

Direct transfer of RRIF property because of a marriage breakdown

You can have property from your RRIF transferred directly to a RRIF or to an RRSP under which your spouse or former spouse is the annuitant. You can make this transfer if it is made:

- under a decree, order, or judgment of a court, or a written separation agreement; and
- to settle rights arising out of your marriage or after the breakdown of your marriage.

You should use Form T2220, *Transfer from an RRSP or a RRIF to Another RRSP or RRIF on Marriage Breakdown*, for this transfer. If you are paid the amount (e.g., in cash or by cheque), you have to include it in your income for the year it is paid and you cannot transfer it without tax consequences.

You can only transfer property to your spouse's RRSP up to the end of the year that your spouse or former spouse turns 71.

You or your spouse or former spouse do not include as income the amounts that are transferred directly under these rules, and you or your spouse or former spouse also cannot deduct them.

Direct transfer of Saskatchewan Pension Plan (SPP) amounts

Direct transfer of a lump-sum payment from the Saskatchewan Pension Plan (SPP)

For 1993 and later years, if you are entitled to receive a lump sum from the SPP in a year, you can have part or all of it transferred directly to:

- your RRIF;
- your own RRSP, if you are under 72 throughout the year in which the transfer is made; or
- an issuer to buy an eligible annuity for you.

You have to have your lump sum transferred directly to your RRSP or RRIF. If you are paid the amount (e.g., in cash or by cheque), you have to include the amount in your income for the year you are paid it, and you cannot transfer it without tax consequences.

Direct transfer of an SPP lump-sum payment because of a marriage breakdown

For 1993 and later years, you can have your SPP lump sum transferred directly to a RRIF or to an RRSP under which your spouse or former spouse is the annuitant. You can make this transfer provided your spouse or former spouse is under 72 throughout the year in which the transfer is made and:

- it is made under a decree, order, or judgment of a court, or a written separation agreement, relating to a division of property between you and your spouse or former spouse;
- the property is being divided to settle rights arising from the breakdown of your marriage; and
- you and your spouse or former spouse are living separate and apart.

Direct transfer of an SPP lump-sum payment because of the death of your spouse or former spouse

For 1993 and later years, if you receive an SPP lump-sum payment because your spouse or former spouse dies, you can have part or all of it transferred directly to:

- your RRSP, if you are under 72 throughout the year in which you make the transfer;
- your RRIF; or
- an issuer, to buy an eligible annuity for you.

Annuities

You can purchase an eligible annuity with all or part of:

- an RRSP refund of premiums;
- an RRSP commutation payment;
- an excess amount paid from a RRIF if you are the RRIF annuitant;
- for 1993 and later years, a Saskatchewan Pension Plan lump-sum payment; or
- for 1993 and later years, the eligible portion of a designated benefit in respect of a RRIF.

You have to purchase the annuity from a person licensed or otherwise authorized under Canadian law to carry on an annuities business in Canada. The types of annuities you can purchase are usually restricted to the following:

- **A life annuity** which pays out periodic instalments over your life, or the lives of you and your spouse. If you purchase a joint-life annuity, your spouse will continue to receive payments after you die. When your spouse dies, the payments stop.
- **A life annuity with a guaranteed term** which pays out periodic instalments over your life, or the joint lives of you and your spouse. It guarantees payments for a term of years that is not more than 90 **minus** your age or your spouse's age at the time the annuity is purchased. If death occurs before the guaranteed period is over, a lump sum equal to the value of unpaid guaranteed amounts will be paid to your estate or your spouse's estate, if the annuity was a joint annuity.
- **A fixed-term annuity** which pays out periodic instalments for a term of years that equals 90 **minus** your age or your spouse's age at the time the annuity is purchased.

If a child or grandchild receives or is considered to receive an RRSP refund of premiums and the child or grandchild is not physically or mentally infirm, only one type of annuity can be purchased. This is an annuity that makes payments for a term of years that is not more than 18 **minus** the age of the child or grandchild at the time the annuity is purchased.

For 1993 and later years, the same rule applies when a child or grandchild receives or is considered to receive a RRIF designated benefit, and the child or grandchild is not physically or mentally infirm. The eligible portion of the designated benefit that the child or grandchild includes in income is the amount that can be used to buy such an annuity.

The periodic payments under the annuity you choose have to begin no later than one year after the annuity is purchased. These payments may be adjusted each year to reflect increases in the cost-of-living. If you want to know more about payment options, contact any financial institution that carries on an annuities business in Canada.

References

The following forms and publications are available from your Revenue Canada income tax office. See the inside back cover of this guide for a list of some of the supplementary guides and pamphlets that are available.

Forms

T215	Past Service Pension Adjustment (PSPA) Exempt from Certification
T746	Calculating Your Deduction for Refund of Undeducted or Excess RRSP Contributions
T1004	Applying for the Certification of a Provisional PSPA
T1006	Designating an RRSP Withdrawal as a Qualifying Withdrawal
T1007	Connected Person Information Return
T1023	RRSP Deduction Limit — Calculating Your Earned Income for 19__
T1043	Calculating Your Deduction to Offset RRSP or RRIF Income if an Excess Amount From an RPP Has Been Transferred to an RRSP or a RRIF
T1090	Designating an Amount Received From a RRIF To Be a Designated Benefit
T2019	Designating an Amount Received From an RRSP To Be a Refund of Premiums
T2030	Direct Transfer Under Subparagraph 60(l)(v)
T2033	Direct Transfer Under Paragraph 146(16)(a) or 146.3(2)(e)
T2078	Election Under Subsection 147(10.1) in Respect of a Single Payment Received from a Deferred Profit Sharing Plan
T2097	Identifying the Amounts Transferred to an RRSP for 19__
T2151	Direct Transfer of a Single Amount Under Subsection 147(19) or Section 147.3
T2205	Calculating Amounts From a Spousal RRSP or RRIF to Include in Income for 19__
T2220	Transfer From an RRSP or a RRIF to Another RRSP or RRIF on Marriage Breakdown
T3012	Application for Refund of RRSP Excess Contributions Made in 19__
T3012A	Tax Deduction Waiver on the Refund of Your Undeducted RRSP Contributions Made in 19__
TD2	Tax Deduction Waiver in Respect of Funds to be Transferred
T1-OVP	*1994 Individual Income Tax Return for RRSP* Excess Contributions
NRTA1	Authorization for Non-Resident Tax Exemption

Information Circulars

72-22	Registered Retirement Savings Plans
77-1	Deferred Profit Sharing Plans
78-18	Registered Retirement Income Funds
79-8	Forms to Use to Directly Transfer Funds to or Between Plans, or to Purchase an Annuity

Interpretation Bulletins

IT-221	Determination of an Individual's Residence Status
IT-281	Elections on Single Payments From a Deferred Profit-Sharing Plan
IT-320	Registered Retirement Savings Plans — Qualified Investments
IT-337	Retiring Allowances
IT-363	Deferred Profit Sharing Plans — Deductibility of Employer Contributions and Taxation of Amounts Received by a Beneficiary
IT-412	Foreign Property of Registered Plans
IT-499	Superannuation or Pension Benefits
IT-500	Registered Retirement Savings Plans (maturing *after June 29, 1978) Death of Annuitant after* June 29, 1978

Pamphlets

Calculating Your 1994 RRSP Deduction Limit

Home Buyers' Plan — For 1995 Participants

Glossary

This glossary describes, in a general way, technical terms that we use in this guide.

Annuitant — A person who is entitled to receive payments from a registered retirement savings plan (RRSP), or a registered retirement income fund (RRIF). A surviving spouse may become the annuitant under a matured RRSP or a RRIF of the deceased annuitant.

Commutation payment — This is a lump-sum payment from a matured RRSP that equals the value of all or part of the future annuity payments from the plan.

Cumulative excess RRSP contributions — This is the portion of your undeducted RRSP contributions made after 1990 that you have to pay tax on.

Deferred profit-sharing plan (DPSP) — This is a type of employer-sponsored savings plan, registered by us, where the employer shares the profits of a business with all employees or a designated group of employees.

Defined-benefit provisions — These are the terms of a registered pension plan (RPP) that promise you a specified level of pension when you retire for each year of your pensionable service.

Designated benefit — A designated benefit includes an amount paid from a RRIF to the surviving spouse of the deceased RRIF annuitant. If the annuitant had no spouse at the time of death, an amount paid from the deceased's annuitant's RRIF to a financially dependent child or grandchild of the annuitant is a designated benefit. Generally, if the RRIF annuitant died in 1994, the child or grandchild is considered financially dependent if the child's or grandchild's income is no more than $6,456 for 1993. A designated benefit may also include an amount paid from a RRIF to the legal representative of the deceased RRIF annuitant's estate.

Earned income — This is one of the amounts you use to calculate your RRSP deduction limit for a year. Earned income includes only certain types of income. To calculate earned income, see Form T1023, *RRSP Deduction Limit — Calculating Your Earned Income for 19__*, which we have included in the middle of this guide.

Excess RRSP contributions — These are amounts you contributed to your RRSPs or to your spouse's RRSPs in 1990 or an earlier year that you could not deduct for the year you contributed them, or for the preceding year.

Foreign plan — Under proposed law, a foreign plan is a plan or arrangement maintained primarily for the benefit of non-residents for services performed outside Canada.

Government-sponsored retirement arrangement — Under proposed law, a government-sponsored retirement arrangement is an unregistered retirement plan established for people who are not employees of a government or other public body, but who are paid from public funds for the services they perform.

Marriage or Married — see the definition of "Spouse" on page 45.

Matured registered retirement savings plan or matured RRSP — This is an RRSP from which you receive retirement income, usually as monthly annuity payments. Your RRSP cannot mature later than December 31 of the year in which you turn 71.

Minimum amount — This is the amount that has to be paid to you each year from your RRIF, except in the year the RRIF is established. The amount is determined using a formula, and may change from year to year.

Money-purchase provision — These are the terms of a registered pension plan (RPP) setting out that the amount of your pension depends, in part, on how much you and your employer contribute to the RPP for your benefit.

Net past-service pension adjustment (Net PSPA) — Your net PSPA for a year is the total of all your PSPAs for the year, minus your qualifying withdrawals for PSPAs that we certified in the year. See the definition of "Past-service pension adjustment (PSPA)" on this page.

Past-service pension adjustment (PSPA) — This amount measures the value under an RPP defined-benefit provision of:

- upgrades in benefits provided to you on a past-service basis for service in 1990, or a later year; or
- additional periods of pensionable service provided to you on a past-service basis for service in 1990 or a later year.

Under proposed law, if you participated in a foreign plan, your PSPA for 1994 measures the value of any increase to your past-service benefits accrued under this plan in 1994.

Under proposed law, if you participate in a specified retirement arrangement, your PSPA for 1994 measures the value of any increase to your past-service benefits accrued under this arrangement in 1994.

Under proposed law, if you participated in a government-sponsored retirement arrangement in 1994 and your past-service benefit accruing under this arrangement was increased in 1994, you may have an amount that is similar to a PSPA.

Pension adjustment (PA) — Your PA for a year includes the total of your pension credits for the year under DPSPs and under benefit provisions of RPPs sponsored by your employer.

Under proposed law, if you participated in a foreign plan or specified retirement arrangement in 1993, your PA for 1993 may include your pension credits for the year under the foreign plan or specified retirement arrangement.

Under proposed law, if you participated in a government-sponsored retirement arrangement in 1993, you may have an amount for 1993 that is similar to a PA.

Pension credit — Your pension credit amount measures the value of the benefits you earn for the year under a DPSP or under a benefit provision of an RPP.

In addition, under proposed law, if you participate in a foreign plan in 1992 and later years, your pension credit amount may also measure the value of the benefits you earn for the year under a foreign plan. Under proposed law, if you participate in a specified retirement arrangement in 1993 and later years, your pension credit amount may also measure the value of benefits you earn for the year under a specified retirement arrangement.

Refund of premiums — This is an amount paid from an unmatured RRSP to the spouse of the RRSP annuitant because the annuitant has died. If the annuitant had no spouse at the time of death, an amount paid from any of the annuitant's unmatured or matured RRSPs to a financially dependent child or grandchild of the annuitant is a refund of premiums.

Registered pension plan (RPP) — This is a pension plan that we have registered. It is a plan where funds are set aside by an employer to provide a pension to employees when they retire.

Registered retirement income fund (RRIF) — A RRIF is a fund that we register, and that an individual (the annuitant) has established to provide the individual with a form of retirement income.

Registered retirement savings plan (RRSP) — An RRSP is an individual retirement savings plan that we have registered. Usually, limited contributions are permitted to the RRSP, and income earned in the RRSP is generally exempt from tax until payments are received from the plan.

RRSP deduction limit — This is the maximum amount (excluding transfers to RRSPs of certain types of qualifying income) that you can deduct for a year for contributions you make to RRSPs. On your 1993 *Notice of Assessment*, the RRSP deduction limit is called the "RRSP contribution limit."

RRSP dollar limit — This is the maximum amount of new RRSP contribution room you can create for a given year, based on 18% of your earned income from the previous year. It is one of the amounts that determines your RRSP deduction limit for a year. The maximum RRSP dollar limit for 1994 is $13,500. The maximum RRSP dollar limit for 1995 is $14,500.

Specified retirement arrangement — Under proposed law, a specified retirement arrangement is a pension plan that is not registered for income tax purposes and that is either unfunded or only partially funded. While the definition of a specified retirement arrangement does not depend on whether an employer is taxable or tax-exempt, pension credits and past-service pension adjustments are determined only for tax-exempt employers.

Spousal RRIF — A spousal RRIF is a RRIF, of which your spouse is the annuitant, that has received funds from a spousal RRSP or another spousal RRIF.

Spousal RRSP — A spousal RRSP is one that you contribute to for your spouse. It includes any of your spouse's RRSPs that have received payments or transfers of property from other RRSPs that you contributed to for your spouse. It also includes any of your spouse's RRSPs that have received payments or transfers of property from your spouse's spousal RRIFs.

Spouse — The term spouse used throughout this guide, applies to a legally married spouse and a common-law spouse. A common-law spouse is a person of the opposite sex who, at that particular time, is living with you in a common-law relationship, and:

- is the natural or adoptive parent (legal or in fact) of your child; or
- had been living with you for at least 12 continuous months, or had previously lived with you in such a relationship for at least 12 continuous months (when you calculate the 12 continuous months, include any period of separation of less than 90 days).

Once either of these two situations applies, we consider you to have a common-law spouse, except for any period that you were separated for 90 days or more due to a breakdown in the relationship.

Unmatured RRSP — This is an RRSP that is not yet paying you retirement income.

Vest or vested benefit — This means that you are entitled to all the benefits you earned under a pension plan or a DPSP, including contributions your employer made for you, even if you change employers.

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