Information for Individuals About Income Tax

Revenue Canada   Revenu Canada

1995

RRSP and Other Registered Plans for Retirement

T4040(E) Rev.95

Canada

Before You Start

Is this guide for you?

Use this guide if you want information about some of the rules in the *Income Tax Act* that affect retirement saving. This includes rules about registered pension plans (RPPs), registered retirement savings plans (RRSPs), and registered retirement income funds (RRIFs).

This guide has information that is not in your income tax package, but that you may need to complete your 1995 return.

This guide uses plain language to explain the most common income tax situations. If you need more help after reading this guide, contact your Revenue Canada tax services office. The addresses and telephone numbers for Revenue Canada are listed under "Revenue Canada" in the Government of Canada section of your telephone book.

We have included the definition of some of the terms used in this guide in a glossary on page 27. You may wish to refer to the glossary before you start.

Forms and publications

Throughout the guide, we refer to other forms and publications. You can get any of these forms or publications from your tax services office or tax centre.

What's New for 1995?

- Two new chapters have been added to the guide along with a number of charts to help you with the calculations you need to make.
- Form T1090, *Death of a RRIF Annuitant — Designated Benefit*, and Form T2019, *Death of an RRSP Annuitant — Refund of Premiums*, have been revised to assist you and the legal representative in calculating the amount that must be reported on your return and on the deceased annuitant's final return.
- Form T2097, *Identifying the Amounts Transferred to an RRSP for 19__*, and Form T1023, *RRSP Deduction Limit — Calculating Your Earned Income for 19__*, have been cancelled. (You can now calculate your earned income for RRSP purposes by completing Step 2 of the chart on page 9.)
- We have removed Form T746, *Calculating Your Deduction for Refund of Undeducted or Excess RRSP Contributions*, from the middle of the guide. Form T746 is available from us.
- You can no longer claim a deduction for amounts you receive for periodic RPP or deferred profit-sharing plan (DPSP) income and transfer to your spouse's RRSPs.
- The rule for teachers with respect to the treatment of certain RPP contributions made for 1989 and earlier years as "past-service contributions while not a contributor" does not apply for 1995 and later years.
- Under proposed law, the rule that restricts the amount the legal representative can claim on the deceased's final return for RPP contributions made for service before 1990 to $3,500 for a year, will not apply in the year of death or the immediately preceding year. This new rule applies for individuals who die after 1992. The chart on page 6 takes this proposed change into account for 1995. If a reassessment to a deceased individual's 1992, 1993, or 1994 return is required, contact your tax services office.

What's New for 1996?

The proposed changes we list below for 1996 were not law at the time of printing. Once they become law, they will be effective for 1996 and later years. We have highlighted the changes in **blue** throughout this guide.

- The RRSP dollar limit will be $13,500 for 1996.
- The limit of up to $2,000 on the amount that may be deducted for each year of service in respect of the transfer of a retiring allowance to an RPP or an RRSP will only apply to years of service before 1996.
- The $8,000 tolerance for RRSP overcontributions will drop to $2,000 beginning in January 1996. However, an additional tolerance may apply for 1996 and later years. For details, see "When do you pay the 1% tax?" on page 13.

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 1995.

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 1994 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 personalized income tax package. You can also find the T.I.P.S. telephone number under "Revenue Canada" in the Government of Canada listing in your telephone book.

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)~~.

La version française de cette publication est intitulée *REER et autres régimes enregistrés pour la retraite.*

Table of Contents

Chapter 1 — Registered Pension Plan (RPP) Contributions

This chapter applies to you if you contribute amounts to an RPP and you want to know how much you can deduct for those contributions.

Deducting your current-service contributions

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

Current-service contributions are shown in box 20 of your 1995 T4 slip, or on your union dues receipt. Deduct this amount on line 207 of your 1995 return.

Deducting your past-service contributions

Generally, past service is work you performed for an employer in a previous year that later becomes pensionable service under your defined-benefit RPP (we explain the term defined-benefit provision in the glossary on page 27). Past-service contributions are amounts you contribute for that work. They may also include contributions you make to upgrade benefits for pensionable service accrued in the past.

You usually make your past-service contributions in a lump sum, or by instalments. 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 details, see Chapter 5, "Transfers to Registered Plans or Funds and Annuities," which starts on page 20.

Past-service for 1990 or later years — You can deduct past-service contributions you made in 1995, for services performed in 1990 or later years, on line 207 of your 1995 return. If you do not deduct these contributions on your 1995 return, you cannot deduct them for a later year.

Past-service contributions you made for 1990 and later years are shown in box 20 of your 1995 T4 slip, or box 32 of your 1995 T4A slip.

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 24.

Past-service for 1989 or earlier years — If your past-service contributions are for 1989 or earlier years, the amount you can deduct is calculated based on whether the past service was performed for service while you **were a contributor** or for service while you **were not a contributor**. The chart on page 5 will help you determine the type of past-service contributions you made for 1989 or earlier years.

Past-service contributions you made for 1989 or earlier years are shown in box 20 and the footnotes area of your 1995 T4 slip, or box 32 and box 38 of your 1995 T4A slip.

In some cases you may be able to deduct for 1995 only a portion of the past-service contribution that you make. If this applies to you, the amount you cannot deduct may be carried forward to 1996 and later years. Refer to the version of this guide for a later year to calculate the amount that you can deduct for that later year.

If for 1995 you deduct a carryforward from a previous year of this type of past-service, attach a statement to your 1995 return. The statement should give a breakdown of the amount of contributions claimed for while you were or were not a contributor.

The chart on page 6 will help you determine the amount you can deduct for 1995 for past-service contributions you made for 1989 or earlier years.

Note
The maximum amount you may deduct for past-service contributions made for 1989 or earlier years for service while not a contributor, is limited to **$3,500 × the number of years or partial years** of service bought back.

Interest on past-service contributions

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 have to take these amounts into account when you calculate how much you can deduct for past-service contributions for 1995 on line 207 of your return.

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 since limits exist on how much you can deduct on line 207 of your return for past-service contributions you made for service you performed in 1989 and earlier years.

Determining if your RPP past-service contributions were for service while you were a contributor or for service while you 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 **yes**, go to Step 2. 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.	**Example** — Andrew joined TTM Company's RPP on February 4, 1995. This RPP allowed Andrew to buy back 12 years of employment with CCD Company, a previous employer. During those 12 years (1977 to 1988), 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. **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 1995, XTJ's RPP allows Frank to buy back his 1989 service with the company for $2,500. Frank answers ***no*** to this question because he did not contribute to any RPP in 1989. Franks $2,500 contribution is for services **while not a contributor.**
Step 2 **Was the past-service contribution made to the same RPP (and for the same year) to which you contributed to, during 1989 or an earlier year?** 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 and contributed to his employer's RPP during those years. In 1995, Phil upgraded his benefits under the RPP for past services performed for YYW Ltd. from 1980 to 1988 for $8,000. 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. Phil's $8,000 contribution is for services **while a contributor.** **Example** — Julie changed employers in May 1987, and became a member of her new employer's RPP. She was a member of a different 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 **Do either 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 a written agreement entered into before March 28, 1988.** If either of the above statements apply to you, 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 neither of the above statements apply to you, 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 entered into a written agreement on March 1, 1988, to purchase those six years of past service. Anthony has to contribute $1,000 each year for 15 years to pay for this service. As one of the statements applies to Anthony (he made the past-service contribution under the terms of a written agreement entered into before March 28, 1988), his $1,000 yearly contribution is for service **while not a contributor.** **Example** — Murphy is a member of her current employer's RPP. She entered into an agreement on April 12, 1990, to purchase (for $12,000) past service she performed in 1988 and 1989 with another employer for a period when she contributed to a different RPP. As neither of the statements apply to Murphy (she did not make the past-service contribution before March 28, 1988, nor did she make the past-service contribution under the terms of a written agreement entered into before March 28, 1988), her $12,000 contribution is for services **while a contributor.**

Calculating your 1995 deduction for RPP contributions you made

Area A — Complete this area if you made current-service contributions in 1995, or you made past-service contributions in 1995 for services you performed in 1990 or later years.

1. Enter the total of all amounts from box 20 of your 1995 T4 slips, box 32 of your 1995 T4A slips, or from your union dues receipts that represent RPP contributions. ________ 1
2. Enter the amount from the footnotes area of your T4 slip and box 38 of your T4A slip that represents past-service contributions made for services you performed in 1989 or earlier years "while a contributor" or "while not a contributor." ________ 2
3. Line 1 **minus** line 2 — This is the amount of your current-service and past-service contributions for 1990 and later years that you deduct for 1995. Enter this amount on line 21 of Area D. ________ 3

Area B — Complete this area if you made past-service contributions for services you performed in 1989 or earlier years while not a contributor (for deceased individuals, ignore any reference to line 7).

4. Enter the total amounts you contributed in 1995 or earlier years for past-service contributions while not a contributor. ________ 4
5. Enter the amount you deducted before 1995 for the contributions you 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 from line 6, 7, or 10, **whichever is less.** This is the amount of your past-service contribution for 1989 and earlier years for services while not a contributor that you may deduct for 1995. Enter the amount that you deduct for 1995 on line 22 of Area D. * ________ 11

Area C — Complete this area if you made past-service contributions for services performed in 1989 and earlier years while a contributor (for deceased individuals, ignore any reference to lines 15 to 19).

12. Enter the total amounts you contributed in 1995 or earlier years for past-service while a contributor. ________ 12
13. Enter the amount you deducted before 1995 for contributions you 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 1995. ________ 16
17. Enter the amount from line 11 in Area B that you deduct for 1995. ________ 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 services while a contributor that you may deduct for 1995. Enter the amount that you deduct for 1995 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 1995 return.

21. Enter the amount from line 3 in Area A that you deduct for 1995. ________ 21
22. Enter the portion of the amount from line 11 in Area B that you deduct for 1995. ________ 22
23. Enter the portion of the amount from line 20 in Area C that you deduct for 1995. ________ 23
24. **Add** lines 21, 22, and 23. Enter this amount on line 207 of your 1995 return. ________ 24

* The legal representative of the deceased individual may choose to deduct this amount in the year of death or the immediately preceding year, or a portion in each year, whichever is more beneficial.

Chapter 2 — Registered Retirement Savings Plan (RRSP) Contributions

Contributing to your RRSPs

This section applies to you if you contribute to your RRSPs. It will help you determine the RRSP deduction you may claim on line 208 of your 1995 return based on the RRSP deduction limit shown on your latest *Notice of Assessment* or *Notice of Reassessment*.

You can contribute to your RRSPs up to the end of the year in which you reach age 71. You cannot contribute to your RRSPs in 1995 if you were 72 or older at any time in the year, even if you have an RRSP deduction limit for 1995.

How much can you deduct?

The amount you can deduct for 1995 for RRSP contributions is based on your 1995 RRSP deduction limit, which is shown on your latest *Notice of Assessment* or *Notice of Reassessment*.

You can also deduct amounts for contributions you make for certain income you receive and transfer to your RRSPs. The RRSP deduction limit does not include these amounts. For more details on transfers, see Chapter 5, "Transfers to Registered Plans or Funds and Annuities," which starts on page 20.

If we reassess a prior year return, your revised 1995 RRSP deduction limit is shown on your *Notice of Reassessment*. If your RRSP deduction limit has changed for other reasons, we will send you Form T1028, *RRSP Deduction 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 tax services office. For more details on T.I.P.S., see "Tax Information Phone Service (T.I.P.S.)" on page 2.

Contributions you can deduct for 1995 — For 1995, you can deduct contributions you made to your RRSPs from January 1, 1991, to February 29, 1996. You can deduct these contributions if you did not deduct them in any other year, and if they are not more than your RRSP deduction limit for 1995. You can also deduct these contributions, up to your RRSP deduction limit, even if you were 72 or older at any time in 1995 and you can no longer contribute to your RRSPs.

Home Buyers' Plan — If you withdraw an amount from your RRSPs in 1995 or 1996 under the Home Buyers' Plan, see "The Home Buyers' Plan and your RRSP contributions" on page 11 to determine if your contributions are deductible.

Note
You cannot deduct the interest you paid on a loan you took out to make an RRSP contribution.

How do you claim your RRSP deduction? — On line 208 of your return you can deduct the RRSP contributions you made up to the limits explained earlier in this section.

Your RRSP issuer will give you an official receipt for the amounts you contributed to the plan. Attach your official receipt to support the amount you are deducting. 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, see your income tax guide for instructions on how to claim your deduction.

If you are deducting an amount in 1995 that you contributed before March 2, 1995, complete and attach Schedule 7, *RRSP Unclaimed Contributions, Transfers, and Designations of Repayments under the Home Buyers' Plan*, to your 1995 return.

Contributing to your spouse's RRSPs

This section applies to you if you contribute to an RRSP for your spouse. See the definition of Spouse in the glossary on page 27.

Generally, the total amount you can deduct for 1995 for contributions you make to your spouse's RRSPs and your RRSPs cannot be more than your 1995 RRSP deduction limit.

Example
Chad's 1995 RRSP deduction limit is $9,500. Chad contributes $4,000 to his RRSPs in 1995, and $6,000 to his spouse Karen's RRSPs in 1995. Chad deducts the $4,000 he contributed to his RRSPs on line 208 of his 1995 return. Although Chad contributed $6,000 to his spouse's RRSPs in 1995, he may deduct only $5,500 of this contribution on his 1995 return ($9,500 – 4,000).

Contributions made after you reach age 71 — Although you cannot contribute to your RRSPs in 1995 if you were 72 or older at any time in the year, you can still contribute to your spouse's RRSPs in 1995, if your spouse is under the age of 72 throughout 1995.

Example
Ted is 74 and married. His wife, Wendy, is 66. Ted's 1995 RRSP deduction limit is $9,000. Ted could not contribute to his RRSPs for 1995 because he was 72 or older throughout 1995. However, Ted can deduct up to $9,000 for contributions he makes to Wendy's RRSPs for 1995, since she is under 72 throughout 1995.

Carryforward of undeducted spousal contributions — If you do not deduct contributions you make to your spouse's RRSPs in the year you make them, you may be able to deduct them in a later year. However, you cannot deduct these amounts for a later year if in that later year:

- you and your spouse are living separate and apart because of the breakdown of your marriage;
- your spouse dies; or
- the contributions represent amounts you were required to include in your income because your spouse withdrew amounts from his or her RRSPs or RRIFs (you and your spouse may have completed Form T2205, *Calculating Amounts From a Spousal RRSP or RRIF to Include in Income for 19__).*

Contributions made after death — After an individual dies, no additional contributions can be made to the deceased annuitant's RRSPs. However, the deceased annuitant's legal representative can make a contribution to the deceased annuitant's spouse's RRSPs on behalf of the deceased individual, in the year of death or during the first 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 1995. His 1995 RRSP deduction limit is $7,000. Before he died, Jim did not contribute to either his RRSPs or his wife Heidi's RRSPs for 1995. Heidi is 68 years old in 1995. On Jim's behalf, his legal representative can contribute up to $7,000 to Heidi's RRSPs in 1995, or in the first 60 days of 1996. The legal representative can then claim an RRSP deduction of up to $7,000 on line 208 of Jim's 1995 final return.

Home Buyers' Plan — If your spouse withdraws an amount from his or her RRSP in 1995 or 1996 under the Home Buyers' Plan, and you contributed to that RRSP, see "The Home Buyers' Plan and your RRSP contributions" on page 11 to determine if your contributions are deductible.

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

> Note
> If you contributed amounts to your spouse's RRSPs in 1993, 1994, or 1995, you may have to include in your 1995 income all or part of the amount your spouse withdrew in 1995 from his or her spousal RRSPs. For more details, see "Amounts from a spousal RRSP or RRIF" on page 18.

Keeping track of your RRSP contributions

You do not have to deduct contributions you made to your RRSPs or your spouse's RRSPs for 1995 on your 1995 return. If you do not deduct these contributions for 1995, you may be able to deduct them in a later year.

Schedule 7, *RRSP Unclaimed Contributions, Transfers, and Designations of Repayments under the Home Buyers' Plan,* will help you keep track of your undeducted RRSP contributions. If you do not have a copy of Schedule 7 in your income tax guide, get a *General Income Tax Guide.*

If you made contributions to your RRSPs or your spouse's RRSPs from March 2, 1995, to February 29, 1996, that you did not deduct on your 1995 return, attach Schedule 7 to your 1995 return. If you made contributions to your RRSPs or your spouse's RRSPs from January 1, 1991, to March 1, 1995, that you did not deduct on your 1990, 1991, 1992, 1993, or 1994 returns, and you did not attach Schedule 7 to your 1994 return, make sure you complete and submit a copy of Schedule 7 for 1994 to your tax centre.

> 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 you contributed them or for the immediately preceding year. For more details, see "Tax on undeducted RRSP contributions" on page 12.

Calculating your 1995 RRSP deduction limit

Your 1995 RRSP deduction limit is shown on your latest *Notice of Assessment* that we sent you after we processed your return. We determined your limit from information on your 1994 and prior year returns, and from information we keep on record. If any of that information changes, your 1995 RRSP deduction limit may also change. In most cases, we will tell you of any change to your 1995 RRSP deduction limit.

If you want to calculate your 1995 RRSP deduction limit, use the chart on pages 9 and 10.

> Note
> The maximum RRSP deduction limit you can earn for 1995 is $14,500. However, if you did not use all of your RRSP deduction limit for the years 1991 to 1994, you can carry forward the amount you did not use to 1995. Therefore, for 1995, your RRSP deduction limit may exceed $14,500.

1995 RRSP Deduction Limit

Step 1 — Calculating your 1994 unused RRSP deduction room

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 deducted for transfers of payments or benefits to an RRSP, or for the excess amount that you withdrew from your RRSPs in connection with the certifying of a provisional past-service pension adjustment (PSPA) that you recontributed to this RRSP in 1994). ________ 2
3. Line 1 **minus** line 2 — This is your 1994 unused RRSP deduction room. ________ 3

Step 2 — Calculating your 1994 earned income (include each amount only once in this step) **

The line numbers in the brackets below refer to the line numbers on your 1994 return where the income is reported.

4. Employment earnings (lines 101 and 104). ________ 4
5. Annual union, professional, or like dues (line 212) that relate to the employment earnings you reported on line 4 above. ________ 5
6. Employment expenses (line 229) that relate to the employment earnings you reported on line 4 above. ________ 6
7. Line 5 **plus** line 6. ________ ➔ ________ 7
8. Line 4 **minus** line 7 (if negative, enter "0"). ________ ➔ ________ 8
9. Net income from a business you carried on alone or as an active partner (lines 135 to 143). Enter losses on line 18 below. ________ 9
10. Disability payments you received from the Canada or Quebec Pension Plan (line 152). ________ 10
11. Royalties for a work or invention of which you were the author or inventor (line 104). ________ 11
12. Net rental income from real property (line 126). Enter losses on line 20 below. ________ 12
13. Alimony or maintenance payments you received, or if you previously paid alimony or maintenance payments and deducted the amount for the year paid, amounts you are repaid for those payments that you include in income for 1994 (line 128). ________ 13
14. Net research grants you received (line 104). ________ 14
15. Employee profit-sharing plan allocations (line 104). ________ 15
16. Unemployment benefit plan payments (line 104) (do not include Unemployment Insurance benefits you received and included on line 119). ________ 16
17. **Add** lines 8 to 16. ________ 17
18. Current-year loss from a business you carried on alone or as an active partner (lines 135 to 143). ________ 18
19. Amount included at line 9 above that represents a deemed taxable capital gain in respect of eligible capital property ________ 19
20. Current-year rental loss from real property (line 126). ________ 20
21. Alimony or maintenance payments you made in the year, or if you previously received alimony or maintenance payments and included the amount received in income for the year received, and you repay those amounts in the year or prior two years, amounts you repay that you deduct for 1994 (line 220). ________ 21
22. **Add** lines 18 to 21. ________ 22
23. Line 17 **minus** line 22 — This amount is your 1994 earned income. ________ 23

* If you had a net PSPA in 1994 or a prior year, and your 1994 RRSP deduction limit is "0", leave lines 1 and 2 in Step 1 blank and enter your unused RRSP deduction room at the end of 1994 on line 3. This amount may be a negative amount.

** Certain income you earned during a period in 1994 throughout which you were not resident in Canada, qualifies as earned income. For more details, see "Earned income for individuals not resident in Canada" on page 14.

Step 3 — The 1995 RRSP dollar limit

24. Enter the amount from line 23.	________ × 18% =	________	24
25. RRSP dollar limit for 1995.		14,500	25
26. Enter the amount from line 24 or 25, **whichever is less.**		________	26

Step 4 — Your 1994 pension adjustment (PA)

27. Enter your 1994 PA (the total of box 52 of your 1994 T4 slips and box 34 of your 1994 T4A slips). ***	________	27
28. Line 26 **minus** line 27 (if the amount is negative, enter "0").	________	28

Step 5 — Your 1995 net past-service pension adjustment (PSPA)

29. Enter your exempt PSPA for 1995 (box 2 of your T215 slip, *Past-Service Pension Adjustment (PSPA) Exempt From Certification*).	________	29
30. Enter your certified PSPA for 1995 (line (A) in Area III of Form T1004, *Applying for the Certification of a Provisional PSPA*).	________	30
31. Line 29 **plus** line 30.	________	31
32. Enter your qualifying withdrawals for 1995 (Area III of Form T1006, *Designating an RRSP Withdrawal as a Qualifying Withdrawal*).	________	32
33. Line 31 **minus** line 32 — This amount is your 1995 net PSPA (this amount can be negative).	________	33

Step 6 — Your 1995 RRSP deduction limit

34. Enter your 1994 unused RRSP deduction room from line 3.	________	34
35. Enter the amount from line 28.	________	35
36. Line 34 **plus** line 35.	________	36
37. Enter your 1995 net PSPA from line 33 (this amount can be negative).	________	37
38. Line 36 **minus** line 37 — This amount is your 1995 RRSP deduction limit (if negative enter "0").	________	38

Step 7 — Your 1995 unused RRSP deduction room

39. Enter the amount from line 36.	________	39
40. Enter the amount from line 37 (this amount can be negative).	________	40
41. Line 39 **minus** line 40 (this amount can be negative).	________	41
42. Enter the amount of RRSP contributions you deduct on line 208 of your 1995 return (cannot be more than the amount on line 38). Do not include amounts that you deduct for transfers of payments or benefits to an RRSP, or for the excess amount that you withdrew from your RRSPs in connection with the certifying of a provisional past-service pension adjustment (PSPA) that you recontributed to this RRSP in 1995). ****	________	42
43. Line 41 **minus** line 42 — This amount is your 1995 unused RRSP deduction room you can carry forward to 1996 (this amount can be negative).	________	43

*** If you are a "connected person," you may have to enter an amount on line 27 in addition to amounts reported on your T4 or T4A slips. If this applies to you, your employer will give you a T1007, *Connected Person Information Return*. For more details on connected persons, see Interpretation Bulletin IT-124, *Contributions to Registered Retirement Savings Plans.*

Under proposed law, if you participate in a foreign plan and your employer does not carry on a business in Canada, you may have to enter an amount on line 27 in addition to amounts reported on your T4 or T4A slips. To determine the amount you have to enter, contact your tax services office.

**** If you contributed to the Saskatchewan Pension Plan during 1995, include the amount you deducted on line 209 of your 1995 return on line 42 of this chart.

The Home Buyers' Plan and your RRSP contributions

If you participate in the Home Buyers' Plan, you may not be able to deduct, for any year, all or part of the contributions you made to your RRSP during the 89-day period immediately before you withdraw an amount under the Home Buyers' Plan. You can use Area A of the chart below to determine the portion of the contribution you made to your RRSP that you cannot deduct.

The same rule applies if you contribute to your spouse's RRSP, and your spouse withdraws an amount under the Home Buyers' Plan from that RRSP. If you contributed to your spouse's RRSP during the 89-day period immediately before your spouse withdrew an amount from that RRSP under the Home Buyers' Plan, complete Area B of the chart below to determine the portion of the contributions you or your spouse made to your spouse's RRSP that you or your spouse cannot deduct.

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

Use a separate chart for each withdrawal made under the Home Buyers' Plan.

Area A — Complete this area if you are the only one who contributed to your RRSP during the 89-day period immediately before you withdrew an amount from that RRSP

1. RRSP number ____________
2. Amounts you contributed to the above RRSP during the 89-day period immediately before you withdrew an amount under the Home Buyers' Plan from the above RRSP. * ________ 2
3. Fair market value of the property held in the above RRSP immediately after your withdrawal. ________ 3
4. Line 2 **minus** line 3 (if negative, enter "0") — This is the amount of your contribution to the above RRSP that you cannot deduct for any year. ________ 4

Area B — Complete this area if you contribute to your spouse's RRSP during the 89-day period immediately before your spouse withdrew an amount from that RRSP

5. RRSP number ____________
6. Amounts you and your spouse contributed to the above RRSP during the 89-day period immediately before your spouse withdrew an amount under the Home Buyers' Plan from that RRSP. ** ________ 6
7. Fair market value of the property held in the above RRSP immediately after your spouse's withdrawal. ________ 7
8. Line 6 **minus** line 7 (if negative, enter "0") — This is the amount of the contribution to the above RRSP that is not deductible for any year. *** ________ 8

* **Do not include:**
- any amounts for which you were not issued an official RRSP receipt;
- contributions you made for amounts that are transferred to this RRSP;
- the excess amount that you withdrew from your RRSPs in connection with the certifying of a provisional past-service pension adjustment (PSPA) that you recontributed to this RRSP in 1995, and for which you claim or will claim a deduction;
- an amount you contributed to this RRSP that was refunded to you as an undeducted amount (you may have completed Form 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__)*.

** **Do not include:**
- any amounts for which you or your spouse were not issued an official RRSP receipt;
- contributions your spouse made for amounts that your spouse transferred to this RRSP;
- contributions you made for amounts that are 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*, you filed for 1994;
- the excess amount that your spouse withdrew from your spouse's RRSPs in connection with the certifying of a provisional past-service pension adjustment (PSPA) that your spouse recontributed to this RRSP in 1995, and for which your spouse claims or will claim a deduction;
- 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 RRSP on line 5 during the 89-day period immediately before your spouse withdraws an amount under the Home Buyers' Plan, the earliest contributions made during this period are the non-deductible contributions.

Undeducted RRSP contributions

This section applies to you if you did not deduct all your RRSP contributions in the year you made them or in the preceding year (other than amounts you did not deduct because of your participation in the Home Buyers' Plan). To report your undeducted contributions, you have to file Schedule 7, *RRSP Unclaimed Contributions, Transfers, and Designations of Repayments under the Home Buyers' Plan*, with your return. For more details, see "Keeping track of your RRSP contributions" on page 8.

If you have not deducted all the contributions you made in 1991 or a later year to your RRSPs or your spouse's RRSPs, you have two options: the undeducted contributions can be left in the plan, or they can be withdrawn.

Withdrawing the undeducted contributions — If the undeducted contributions are withdrawn, you have to include them as income on your return. However, you can deduct an amount equal to the withdrawn contributions that you include in your income if you meet the following conditions:

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

If the conditions described above are met, the undeducted RRSP contributions you made in 1991 or a later year can be withdrawn **without having tax withheld** by completing Form T3012A, *Tax Deduction Waiver on the Refund of Your Undeducted RRSP Contributions Made in 19__*.

If the undeducted RRSP contributions are withdrawn based on a Form T3012A we approved:

- attach a copy of that form and the related T4RSP slip issued to your return;
- report the amount shown in box 20 of your or your spouse's T4RSP slip on line 129 of your return; and
- deduct an amount on line 232 of your return equal to the undeducted contributions withdrawn.

If the undeducted RRSP contributions are withdrawn without Form T3012A, the issuer of the plan has to withhold tax when they are withdrawn. The amount withdrawn is shown in box 22 of the T4RSP slip and has to be reported on line 129 of your return. Complete Form T746, *Calculating Your Deduction for Refund of Undeducted or Excess RRSP Contributions*, to calculate the amount you can deduct for the withdrawal.

Note
If you or your spouse receive a payment for an undeducted RRSP contribution you made, and you deduct an amount under the above rules, we do not consider the undeducted RRSP contribution to be an RRSP contribution after you or your spouse receive the payment. Accordingly, you cannot deduct the amount for any year.

Tax on undeducted RRSP contributions

A tax of 1% per month may apply to certain undeducted RRSP contributions you made in 1991 and later years. You should use a T1-OVP, *1995 Individual Income Tax Return for RRSP Excess Contributions*, to calculate the amount of undeducted contributions subject to this tax, and the tax payable. Since this tax does not apply to all undeducted contributions, follow the three step process described below to determine if you have to complete a 1995 T1-OVP return.

Step 1 — Do either of the statements below apply to you?

- You contributed amounts to your RRSPs or your spouse's RRSPs during the period of January 1, 1991, to December 31, 1995, that you did not and will not be deducting on your 1990, 1991, 1992, 1993, 1994, or 1995 returns.
- A gift was made to your RRSPs during the period of January 1, 1991, to December 31, 1995. A gift is any amount contributed to your RRSPs by someone other than you or your spouse.

If either of these statements apply to you, go to Step 2. If neither of these statements apply to you, you do not have to complete a 1995 T1-OVP.

Step 2 — Is your 1995 RRSP deduction limit from your latest *Notice of Assessment* or *Notice of Reassessment* more than the total of your undeducted contributions (including gifts) made during the period of January 1, 1991, to December 31, 1994, plus the total of any RRSP contributions (including gifts) made during 1995?

If you answer *no*, go to Step 3. If you answer *yes*, you do not have to complete a 1995 T1-OVP.

Step 3 — Do any of the following statements apply to you?

- You were under 19 years of age at any time in 1995.
- You had a net PSPA for 1995.
- You did not have a net PSPA for 1995, but the total of your undeducted RRSP contributions (including gifts) made during the period January 1, 1991, to December 31, 1995, are more than $8,000.

If any of these statements apply to you, you may be subject to tax on your undeducted RRSP contributions. Complete a 1995 T1-OVP to determine the amount of this tax. If none of these statements apply to you, you do not have to complete a 1995 T1-OVP.

When do you pay the 1% tax?

You have to pay the 1% per month tax no later than 90 days after the end of the year in which the undeducted contribution exists. When you pay the tax for 1995, you have to file a T1-OVP. Attach your payment to the completed T1-OVP, and submit it to your tax centre. If you do not pay your tax by the deadline, you may also have to pay arrears interest on any unpaid amount.

Under proposed law, the $8,000 tolerance for RRSP overcontributions will drop to $2,000 beginning in January 1996. However, an additional tolerance amount of up to $6,000 may apply for 1996 and later years. The additional tolerance amount applies to the balance of your undeducted RRSP contributions immediately before February 27, 1995.

Under proposed law, we may consider all or part of the mandatory contributions you make in 1996 as part of your participation in a group RRSP as contributed in 1997. The amount we consider contributed in 1997 is not subject to tax in 1996.

Under proposed law, beginning in 1996, an individual's net past-service pension adjustment (PSPA) for a year will not be applied when calculating the 1% tax until the year following the year in which it is reported.

To help you calculate the amount subject to tax for 1996, use a T1-OVP, *1996 Individual Income Tax Return for RRSP Excess Contributions,* which will be available from us in 1996.

Excess contributions made before 1991 — If you made excess contributions to your RRSP or your spouse's RRSP before 1991 you have two options: the excess contributions can be left in the plan, or they can be withdrawn. In either case, the excess contributions may be subject to a 1% per month tax. For more details, contact your tax services office.

Form T3012, *Application for Refund of RRSP Excess Contributions Made in 19__*, has to be used to withdraw the excess contributions without having tax withheld. If Form T3012 is not used, the issuer is required to withhold tax on the withdrawal.

In either case, complete Form T746, *Calculating Your Deduction for Refund of Undeducted or Excess RRSP Contributions,* to calculate the amount you can deduct for the withdrawal.

Self-directed RRSPs

This section generally applies to all RRSPs, but more specifically to self-directed 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 of a self-directed RRSP takes care of the administrative details, including getting the plan registered, receiving amounts contributed, and trading securities. The trustee may charge a plan administration fee to cover the cost of such things as safekeeping the investments, reporting transactions, and filing year-end reports.

Deduct any reasonable administration fees you paid to the trustee of your self-directed RRSP on line 221 of your return. However, you cannot deduct administration fees paid to the RRSP trustee if they are paid from money within your 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. This is because the funds held in a self-directed RRSP may only consist of certain qualified investments. All investments have to be registered in the trustee's name. You cannot hold securities in your own name.

Qualified investments — You can contribute property such as certain stocks and bonds to a self-directed RRSP. If you contribute property, 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 property registered in your name to an RRSP, you have to calculate any capital gain on the contribution of that property and report it on your 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.

Non-qualified investments — If you contribute a non-qualified investment to your RRSP, you have to include the fair market value of that investment at the time you contributed it 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.

Tax Tip

For the year you dispose of a non-qualified investment, you can deduct an amount that equals the lesser of:

- the fair market value of the non-qualified investment when your RRSP trust acquired it to the extent 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 from an RRSP or RRIF" on page 18.

If you want to know more about qualified and non-qualified investments, see Interpretation Bulletin IT-320, *Registered Retirement Savings Plans — Qualified Investments*, or contact your plan issuer.

Tax on excess foreign property holdings

The cost of an RRSP trust's foreign property holdings for a month ending in 1995 cannot be more than 20% of the cost amount of all property held by the RRSP trust at the end of the month. If your RRSP trust exceeds this limit, the trust may be subject to a tax. For more details, contact your plan issuer.

Earned income for individuals not resident in Canada

Step 2 in the chart on page 9 calculates your **1994** earned income for RRSP purposes for periods while you were resident in Canada. In addition to the amount calculated on line 23 of that chart, certain other amounts you receive for periods in 1994 when you are not resident in Canada but are employed in Canada or carried on a business in Canada, or receive as a payment that relates to such employment or business for these periods, qualifies as earned income. The amount you receive for these periods that qualifies as earned income is equal to your:

- employment earnings for duties you perform in Canada, and your net income from a business you carry on in Canada alone or as an active partner (do not include any amount that is exempt from Canadian income tax because of a tax treaty with another country);

  minus

- annual union, professional, or like dues, employment expenses, current year losses from a business you carry on in Canada alone or as an active partner, and alimony or maintenance payments you made in the year (or if you previously received alimony or maintenance payments and included the amount you received in income for the year received, and you repaid those amounts in the year or prior two years, amounts you repaid that you deduct for 1994.)

Include this amount on line 23 in Step 2 of the chart on page 9.

In addition, certain amounts you receive qualify as earned income if in 1994 you were:

- a full-time student at a post-secondary educational institution in Canada;
- a student attending or a teacher teaching at a post-secondary educational institution outside Canada, who had in a previous year ceased to be a resident of Canada to attend or teach at such an institution;
- an individual who ceased to be resident in Canada in a previous year so you could carry on research under a grant you received;
- an individual who ceased to be resident in Canada in a previous year and who received Canadian-source employment income; or
- an individual who received an amount, deductible by a payer subject to tax in Canada, for entering into a contract or agreement for service to be performed in Canada, or for an undertaking not to enter into such a contract or agreement with someone other than the payer.

If you are one of the individuals described above, your earned income for the periods in 1994 when you were a non-resident is equal to your:

- Canadian-source employment earnings and your Canadian-source research grants (do not include any amount that is exempt from Canadian income tax because of a tax treaty with another country, or any employment income paid by a Canadian for employment services you performed outside of Canada that is subject to income tax in a foreign country or any amount paid in the normal course of your employer's business which relates to selling property, rendering services, or negotiating contracts)

  minus

- any alimony or maintenance payments you made in the year, or if you previously received alimony or maintenance payments and included the amount received in income for the year received, and you repay those amounts in the year or prior two years, amounts you repaid that you deduct for 1994.

Include this amount on line 23 in Step 2 of the chart on page 9.

If you are unsure if you were resident or if we consider you to be resident in Canada for 1994, see Interpretation Bulletin IT–221, *Determination of an Individual's Residence Status*, or contact the International Tax Services 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~~

Chapter 3 — Registered Retirement Income Fund (RRIF) Contributions

This chapter applies to you if you set up a RRIF and you want to know what types of payments you can contribute to your RRIF. Generally, you can only contribute to your RRIF by **transferring directly** certain types of payments you receive or are considered to have received.

You can have more than one RRIF. You can have self-directed RRIFs. The rules that apply to self-directed RRIFs are generally the same as those for self-directed registered retirement savings plans (RRSPs). For more details, see "Self-directed RRSPs" on page 13.

Property from an RRSP

You can contribute to your RRIF by having property **transferred directly** from:

- your unmatured RRSPs (an unmatured RRSP is an RRSP that has not started to pay a retirement income);
- your matured RRSPs, including a direct transfer of a commutation payment from your RRSP annuity; or
- an unmatured RRSP under which your spouse or former spouse is the annuitant, if you and your spouse were living separate and apart at the time of the transfer and 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 the annuitant under an RRSP dies, and at the time of death you were the deceased annuitant's spouse, or if there was no spouse at the time of death and you were a financially dependent child or grandchild of the deceased annuitant who was also dependent on the deceased because of a physical or mental infirmity (we explain the term **financially dependent** in the glossary on page 27), you can contribute to your RRIF certain amounts you receive or are considered to have received from the deceased annuitant's RRSPs. For more details, get Form T2019, *Death of an RRSP Annuitant — Refund of Premiums.*

Registered pension plan (RPP) payments

You can contribute to your RRIF by having a lump-sum payment **transferred directly** from:

- a registered pension plan (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 died; 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. For more details, see "Direct transfer of an excess RPP lump-sum payment" on page 22.

Property from another RRIF

You can contribute to your RRIF by having property **transferred directly** from:

- another RRIF under which you are the annuitant; or
- a RRIF under which your spouse or former spouse is the annuitant, 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 the annuitant under a RRIF dies, and at the time of death you were the deceased annuitant's spouse, or if there was no spouse at the time of death and you were a financially dependent child or grandchild of the deceased annuitant who was also dependent on the deceased because of a physical or mental infirmity (we explain the term **financially dependent** in the glossary on page 27), you can contribute to your RRIF certain amounts you receive or are considered to have received from the deceased annuitant's RRIF. For more details, get Form 1090, *Death of a RRIF Annuitant — Designated Benefits.*

Saskatchewan Pension Plan (SPP) payments

You can contribute to your RRIF by having a lump-sum payment **transferred directly** from:

- the SPP under which you are a member;
- the SPP 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 died; or
- the SPP under which your spouse or former spouse is a member, if you and your spouse were living separate and apart at the time of the transfer and 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.

For more details about transfers, see Chapter 5, "Transfers to Registered Plans or Funds and Annuities," which starts on page 20.

Chapter 4 — Payments From a Registered Plan or Fund

Registered Pension Plan (RPP) amounts

If the amount you receive from an RPP is shown in box 16 on your 1995 T4A slip or in box 31 on your 1995 T3 slip, enter it on line 115 of your 1995 return. For more details, see line 115 in your income tax guide. If the amount you receive from an RPP is shown in box 18 on your 1995 T4A slip or in box 22 on your 1995 T3 slip, enter it on line 130 of your 1995 return.

Deferred profit-sharing plan (DPSP) amounts

The amounts an employer contributes for you to a DPSP trustee are not taxable until you receive payments from the plan. These payments are shown on a T4A slip for the year you receive them. You have to report the DPSP payments you receive in 1995 on line 115 of your return if you were 65 years or older at the end of 1995, or if you received them because your spouse died. Otherwise, report your DPSP payments on line 130 of your 1995 return.

Amounts from an RRSP

Withdrawal from an RRSP — You can withdraw amounts from your RRSP in 1995 before it starts to pay you a retirement income. Your withdrawal payments are shown in box 22 of your T4RSP slip. Include this amount on line 129 of your return. If the withdrawal is a return of undeducted contributions you made to an RRSP based on an approved Form T3012A, *Tax Deduction Waiver on the Refund of Your Undeducted RRSP Contributions Made in 19__*, it is shown in box 20 of the T4RSP slip. Include this amount on line 129 of your 1995 return.

> Note
> If in 1995 you withdraw funds from an RRSP to which your spouse contributed, and your spouse contributed amounts to any of your RRSPs in 1993, 1994, or 1995, your spouse may have to include in his or her income all or part of the withdrawal. For more details, see "Amounts from a spousal RRSP or RRIF" on page 18.

Annuity payments — When an RRSP matures, the value of all the property held by the plan is included in your income, unless you use the RRSP to buy an eligible annuity, or transfer the funds to a registered retirement income fund (RRIF). If you buy an eligible annuity, you have to include the annuity payments in your income. Annuity payments are shown in box 16 of your T4RSP slip. Include this amount on line 129 of your return. If you receive the payments because your spouse died, or you were 65 or older on December 31, 1995, they qualify for the pension income amount. For more details, see line 314 in your income tax guide .

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 1995, the payment is shown in box 22 of your 1995 T4RSP slip. Include this amount on line 129 of your 1995 return.

> Note
> If the RRSP from which you receive the commutation payment in 1995 is a spousal RRSP, and your spouse contributed amounts to any of your RRSPs in 1993, 1994, or 1995, your spouse may have to include in income all or part of the commutation payment. For more details, see "Amounts from a spousal RRSP or RRIF" on page 18.

Death of an RRSP annuitant

Payments from a matured RRSP — A matured RRSP is an RRSP that has started to pay you a retirement income. If the remaining annuity payments under the annuitant's RRSP become payable to the annuitant's surviving spouse (as specified in the RRSP contract), the surviving spouse will begin to receive the payments.

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, 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 electing to become the annuitant of the RRSP. If such an election is made, we consider the surviving spouse to receive amounts paid from the RRSP as an RRSP benefit.

Annuity payments the surviving spouse receives or is considered to receive are shown in box 16 of the T4RSP slip issued in the name of the surviving spouse. All such payments have to be reported on line 129 of the surviving spouse's 1995 return, unless the surviving spouse was 65 or older on December 31, 1995, in which case, report the income on line 115. For more details, see line 115 in your income tax guide.

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. A commutation payment is a fixed or single lump-sum payment from an RRSP annuity that is equal to the current value of all or part of the future annuity payments from the plan. This commutation payment is not taxable in the beneficiary's hands. Instead, the amount has to be included on line 129 of the deceased annuitant's final return and is shown in box 34 of the T4RSP slip issued in the name of the deceased annuitant.

> Note
> If the deceased annuitant had no spouse at the time of death, and you are a financially dependent child or grandchild of the deceased annuitant, (we explain the term **financially dependent** in the glossary on page 27) the amount reported on the deceased annuitant's final return may be reduced if an amount is paid from the matured RRSP to you, or to the estate of which you are a beneficiary. For more details, get Form T2019, *Death of an RRSP Annuitant — Refund of Premiums.* Form T2019 also discusses the options you have to transfer this income on a tax-free basis.

In some cases, a matured RRSP may earn income after the date of death. This amount must be included in the beneficiary's income and is shown in box 28 of the T4RSP slip issued in the beneficiary's name. Include this amount on line 129 of the beneficiary's return.

Payments from an unmatured RRSP — If an annuitant dies before the RRSP has matured (an unmatured RRSP is an RRSP that has not started to pay retirement income), 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. The FMV of the property in the RRSP is shown in box 34 of the T4RSP slip issued in the deceased's name. Include this amount on line 129 of the deceased annuitant's final return.

A T4RSP slip showing the FMV held by the RRSP at the time of death will not be issued if all of the property held by the RRSP is paid (as specified in the RRSP contract) to you as the deceased annuitant's spouse and that payment is transferred to your RRSP, RRIF, or to an issuer to buy an eligible annuity. In this case, a T4RSP slip will be issued in your name showing the payment in box 18. Report this income on line 129 of your return. If the amount is transferred to your RRSP, claim a deduction equal to the amount transferred on line 208 of your return. If the amount is transferred to your RRIF or to an issuer to buy an eligible annuity, claim a deduction equal to the amount transferred on line 232 of your return.

If a T4RSP slip showing the FMV held by the RRSP at the time of death is issued in the name of the deceased, the amount reported on the deceased annuitant's final return may be reduced if:

- you were the spouse of the annuitant at the time of death and you are entitled to receive amounts from the estate that the estate received from the unmatured RRSP; or
- the deceased annuitant had no spouse at the time of death, you are a financially dependent child or grandchild of the deceased annuitant, (we explain the term **financially dependent** in the glossary on page 27), and an amount is paid from the unmatured RRSP to you, or to the estate of which you are a beneficiary.

In either case, get Form T2019, *Death of an RRSP Annuitant — Refund of Premiums,* to help you calculate the amount by which you can reduce the deceased annuitant's income. Form T2019 also discusses the options you have to transfer this income on a tax-free basis.

If you are a beneficiary of the deceased annuitant's RRSP but at the time of death you were neither the deceased's spouse nor a financially dependent child or grandchild of the deceased, report the amount in box 28 of the T4RSP slip issued in your name on line 129 of your return.

Amounts from a RRIF

Minimum amount paid out of a RRIF — Starting in the year after the year you establish a RRIF, you have to be paid a yearly minimum amount. The payout period under your RRIF is for your entire life.

Your carrier calculates the minimum amount based on your age at the beginning of each year. However, you can elect to have the minimum amount based on your spouse's age. You do not have to complete a form to make this election. Instead, when you establish your RRIF, tell your carrier to base the minimum amount on your spouse's age. Once you make this election, you cannot change it. If you want to know more about your payments and how the minimum amount is calculated, contact your carrier.

The 1995 RRIF minimum amount is shown in box 16 of your 1995 T4RIF slip. The minimum amount is not subject to withholding tax.

Excess amount from a RRIF — 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 such payments.

You can have a RRIF excess amount transferred directly to an RRSP if you are under 72 throughout the year it is transferred, to another RRIF, or to an issuer to buy an eligible annuity. For more details about transfers, see "Excess amount from a RRIF" on page 21.

Your 1995 RRIF excess amount is shown in box 16 and box 24 of your 1995 T4RIF slip. **Include in your income only the amount shown in box 16.** All excess amounts paid in a year are subject to withholding tax. The tax withheld is shown in box 28 of your 1995 T4RIF slip. Claim the tax deducted as a credit on line 437 of your return.

How do you report RRIF income?

Report your RRIF income on line 115 of your return if you were 65 years or older on December 31, 1995, or if you received the RRIF payments because your spouse died. In all other cases, report these amounts on line 130 of your return. For more details, see line 115 in your income tax guide.

Undeducted RRSP contributions paid from a RRIF — If in 1991 or a later year you contributed amounts to your RRSP or to your spouse's RRSP 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 withdraw from that RRIF for those undeducted RRSP contributions. You claim this deduction on line 232 of your return. For more details, see "Undeducted RRSP contributions" on page 12.

> **Note**
> In some cases, you may not have been able to deduct all the amounts you contributed to your RRSPs or to your spouse's RRSPs **in 1990 or an earlier year.** If you have transferred those funds from such an RRSP to a RRIF, and you then withdraw them, contact your tax services office for details on reporting this income and claiming a deduction.

Death of a RRIF Annuitant

Under the rules for RRIFs, if the last annuitant under a RRIF dies, the fair market value (FMV) of the property held by the RRIF at the time of death is included in the annuitant's income for the year of death. This amount is shown in box 18 of the T4RIF slip issued in the deceased's name. Report this amount on line 130 of the deceased annuitant's final return.

If the RRIF annuitant made a written election, in the RRIF contract or in the will, to have the RRIF payments continue to his or her spouse after death, a T4RIF showing the FMV of the property held by the RRIF at the time of death will not be issued in the name of the deceased. Instead, the surviving spouse becomes the annuitant after death. You will begin to get the RRIF payments as the new annuitant, and will receive a T4RIF slip in your name reporting the annuity payments you receive in box 16. Report this amount on line 115 of your return. For more details, see line 115 in your income tax guide.

Note
A RRIF annuitant's spouse can become the annuitant of the RRIF after the annuitant's death, even if the deceased annuitant did not make this election in the RRIF contract or in the will. 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.

A T4RIF slip showing the FMV held by the RRIF at the time of death will also not be issued if all of the property held by the RRIF is paid (as specified in the RRIF contract) to you as the deceased annuitant's spouse and that payment is transferred to your RRSP, RRIF, or to an issuer to buy an eligible annuity. In this case, a T4RIF slip will be issued in your name showing the payment in box 16. Report this income on line 130 of your return. If the amount is transferred to your RRSP, claim a deduction equal to the amount transferred on line 208 of your return. If the amount is transferred to your RRIF or to an issuer to buy an eligible annuity, claim a deduction equal to the amount transferred on line 232 of your return.

If a T4RIF slip showing the FMV held by the RRIF at the time of death is issued in the name of the deceased, the amount reported on the deceased annuitant's final return may be reduced if:

- you were the spouse of the annuitant at the time of death and you are entitled to receive amounts from the estate that the estate received from the RRIF; or
- the deceased annuitant had no spouse at the time of death, you are a financially dependent child or grandchild of the deceased annuitant, (we explain the term **financially dependent** in the glossary on page 27), and an amount is paid from the RRIF to you, or to the estate of which you are a beneficiary.

In either case, get Form T1090, *Death of a RRIF Annuitant — Designated Benefit*, to help you calculate the amount by which the deceased annuitant's income can be reduced. Form T1090 also discusses the options you have to transfer this income on a tax-free basis.

If you are a beneficiary of the deceased annuitant's RRIF but at the time of death you were neither the deceased annuitant's spouse nor a financially dependant child or grandchild of the deceased, report the amount in box 22 of the T4RIF slip issued in your name on line 115 of your return if you were 65 or older on December 31, 1995. In all other cases, report these amounts on line 130 of your return. For more details, see line 115 in your income tax guide.

Amounts deemed received on deregistration of an RRSP or RRIF

If in 1995 your RRSP or RRIF was changed and it no longer satisfied the rules under which it was registered, it is no longer an RRSP or RRIF. It is an amended plan or fund. In such a case we consider you to have received in 1995 an amount that equals the fair market value (FMV) of all the property held by the plan or fund at the time it ceased being an RRSP or RRIF.

If your **RRSP** ceased to be registered in 1995, the FMV of the property held by the plan at the time it ceased to be registered is shown in box 26 of your 1995 T4RSP slip. You have to include this amount on line 129 of your 1995 return.

If your **RRIF** ceased to be registered in 1995, the FMV of the property held by the fund at the time it ceased to be registered is shown in box 20 of your 1995 T4RIF slip. If you were 65 or older on December 31, 1995, report this amount on line 115 of your return. In all other cases, report the amount on line 130 of your return. For more details, see line 115 in your income tax guide.

Note
Generally, you have to include in your income all amounts you receive from your RRSP or RRIF. However, if such an amended plan or fund was a spousal RRSP or a spousal RRIF, or if we consider it to be a spousal RRSP or RRIF, your spouse may have to include in his or her income amounts you receive from the RRSP or RRIF. For more details, see "Amounts from a spousal RRSP or RRIF" on this page.

Other income and deductions from an RRSP or RRIF

You may have to include other RRSP or RRIF amounts in your income, or you may be able to deduct other amounts for 1995. This applies if in 1995 your RRSP or RRIF trust acquired or disposed of a non-qualified investment (for more details, see "Non-qualified investments" on page 13); 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.

Such amounts for your **RRSP** are shown in box 28 of your 1995 T4RSP slip. Report positive amounts on line 129 of your 1995 return, and claim negative amounts (shown in brackets) as a deduction on line 232 of your 1995 return.

Such amounts for your **RRIF** are shown in box 22 of your 1995 T4RIF slip. Report positive amounts on line 130 of your 1995 return, and claim negative amounts (shown in brackets) as a deduction on line 232 of your 1995 return.

Amounts from a spousal RRSP or RRIF

This section applies to you if you receive income from a spousal RRSP or a spousal RRIF. This section may also apply to you if you contributed to your spouse's RRSPs.

A **spousal RRSP** is any of your RRSPs to which your spouse had contributed; any of your RRSPs that received payments or transfers of property from your RRSPs to which your spouse had contributed; or any of your RRSPs that received payments or transfers of property from your RRIFs to which you had transferred amounts from your spousal RRSPs.

A **spousal RRIF** is any of your RRIFs that received payments or transfers of property from a spousal RRSP. A spousal RRIF also includes a RRIF that received a payment or transfer of property from any of your other spousal RRIFs.

Calculating the income you and your spouse have to report

If you contributed to any spousal RRSP in 1993, 1994, or 1995, you may have to include in your 1995 income all or part of:

- the amounts your spouse received in 1995 from any of his or her unmatured spousal RRSPs (an unmatured RRSP is an RRSP that has not started paying a retirement income);
- the commutation payments your spouse received in 1995 from any of his or her matured spousal RRSPs;
- the amounts we consider your spouse to have received in 1995 from any of his or her deregistered spousal RRSPs; and
- the amounts your spouse received or that we consider your spouse to have received in 1995 from any of his or her spousal RRIFs that are more than the minimum amount for the year.

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

Tax Tip
If you want to ensure that you do 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).

Example
In May 1993, Waldo started contributing to his wife Edith's RRSP. He contributed the following amounts to her RRSP:

Year	Amount
1993	$2,000
1994	2,000
1995	1,000
Total	$5,000

In 1995, Edith withdrew $4,000 from her spousal RRSP. Before 1995, she had not withdrawn any amounts from her spousal RRSP.

Edith determined that Waldo has to include $4,000 in his income on line 129 of his 1995 return, since the amount Waldo has to include as income is the **lesser** of:

- the amounts he contributed to all spousal RRSPs for his wife in 1993, 1994, and 1995 (**$5,000**); and
- the amount his wife withdrew from her spousal RRSP in 1995 (**$4,000**).

Edith does not include any amount in her income for this withdrawal.

Exceptions — The rule that requires you, the contributor, to include as income certain amounts from spousal RRSPs or spousal RRIFs **does not apply** for the following situations.

- At the time of payment or deemed receipt you and your spouse are living separate and apart because of the breakdown of your marriage.
- At the time of payment or deemed receipt you or your spouse are non-resident.
- The amount is a commutation payment that 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 contributor dies in the year of payment or deemed receipt.
- The amount is an amount we consider the deceased annuitant to have received because of death.

In any such case, the annuitant spouse includes the payment in income for the year that he or she receives 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 the member cannot be paid certain amounts. 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.

You cannot withdraw funds from a locked-in RRSP. The money has to stay in the RRSP, and will be used to buy a life annuity at retirement age. However, 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**.

Your employer or pension plan administrator can answer any questions you have about funds that are locked in.

Note
Do not confuse locked-in RRSPs with fixed-term investments in 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 5 — 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 also 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 on these transfers.

The following three charts list the most common types of income that may be transferred and the types of plans or funds to which the income can be transferred. Chart 1 covers payments that **can be** transferred either directly orindirectly. Chart 2 covers payments that **must be** transferred directly, while Chart 3 covers payments that are transferred because of marriage breakdown.

Note
If you were a non-resident, you can get Form NRTA1, *Authorization for Non-Resident Tax Exemption*, for more details on transfers.

Chart 1 — Payments that can be transferred directly or indirectly

- Since there is no requirement to withhold tax at source on payments transferred directly, ensure that before you receive the payment you advise your employer, plan administrator, carrier, or issuer, that you want to make a direct transfer.
- If you transfer one of these payments indirectly, you make the contribution yourself (i.e. you get the payment and make the contribution later).
- To be deductible, the contributions have to be made to that plan or fund in the year you receive the payment, or no later than 60 days after the end of that year.
- If the funds are transferred to an RRSP, you have to be under 72 throughout the year in which the funds are transferred and you have to file with your 1995 return a completed Schedule 7, *RRSP Unclaimed Contributions, Transfers, and Designations of Repayments under the Home Buyers' Plan.* If you do not have a copy of Schedule 7 in your income tax guide, get a *General Income Tax Guide.*

Type of payment	Can be transferred to your:				Instructions
	RPP	RRSP	RRIF	Annuity	
Retiring allowance	**Yes**	**Yes**	**No**	**No**	■ You can transfer only the eligible part of the retiring allowance you receive. The footnotes area of your T4A slip indicates the part of the retiring allowance in box 26 of your T4A slip that is **not** eligible. On a T3 slip, the eligible part of a retiring allowance is shown in box 36. See the definition of retiring allowance in the glossary on page 27 for the calculation of the eligible part of a retiring allowance. ■ Report the retiring allowance shown in box 26 of your T4A or box 26 of your T3 slip on line 130 of your return. ■ Claim a deduction for the amount transferred to your RPP on line 207 of your return. Claim a deduction for the amount transferred to your RRSP on line 208 of your return. ■ If you file Form TD2, *Tax Deduction Waiver in Respect of Funds to be Transferred,* your employer will transfer directly the eligible part of the retiring allowance and will not withhold tax on the eligible part.
Amounts paid from an RRSP or RRIF upon death of the annuitant	**No**	**Yes**	**Yes**	**Yes**	■ If at the time of death you are the deceased annuitant's spouse, or if at the time of death the deceased annuitant had no spouse and you are the financially dependent child or grandchild of the deceased annuitant (we explain the term financially dependent in the glossary on page 27), you can transfer on a tax-free basis certain amounts paid from the deceased annuitant's RRSP or RRIF. For more details, see "Death of an RRSP annuitant" on page 16, or "Death of a RRIF annuitant" on page 17. Form T1090, *Death of a RRIF Annuitant — Designated Benefit,* and Form T2019, *Death of an RRSP Annuitant — Refund of Premiums,* also provide details on this subject.

Chart 2 — Payments that have to be transferred directly

- If any of the types of payments listed below are paid to you (e.g. in cash or by cheque), you have to include them in your income for the year you were paid, and the opportunity to transfer them on a tax-free basis is not available. Therefore, if you want to transfer these amounts tax free to another registered plan or fund, make sure they are transferred directly.
- If you are transferring the amount to your RRSP, you must be under 72 throughout the year in which the transfer is made.

Type of payment	Can be transferred to your: RPP	RRSP	RRIF	Annuity	Instructions	Form *
RPP lump sum	**Yes**	**Yes**	**Yes**	**No**	■ This includes a lump-sum payment you receive from your RPP or from your spouse's or former spouse's RPP because your spouse or former spouse died. ■ Do not claim a deduction for the amount transferred, and do not report any amount on your return. ■ If an excess RPP lump-sum payment is transferred for you, see "Direct transfer of an excess RPP lump-sum payment" on page 22.	T2151 **
DPSP lump sum	**Yes**	**Yes**	**No**	**No**	■ This includes a lump-sum payment you receive from your DPSP or from your spouse's or former spouse's DPSP because your spouse or former spouse died. ■ A DPSP lump sum may also be transferred to another DPSP. ■ Do not claim a deduction for the amount transferred, and do not report any amount on your return. ■ See Interpretation Bulletin IT-281, *Elections on Single Payments from a Deferred Profit-Sharing Plan*, for exceptions to the direct transfer requirement.	T2151 **
RRSP commutation payment	**No**	**Yes**	**Yes**	**Yes**	■ This is a lump-sum payment equal to the current value of all or part of your future annuity payments from your RRSP. ■ The commutation payment is shown in box 22 of your T4RSP slip. Report it on line 129 of your return. ■ If the amount is transferred to your RRSP, claim a deduction for the amount transferred on line 208. If the amount is transferred to your RRIF or to an issuer to buy an eligible annuity, claim a deduction for the amount transferred on line 232 of your return. ■ Attach official receipts to your return showing the amount contributed.	T2030
Property from an unmatured RRSP	**Yes**	**Yes**	**Yes**	**No**	■ This is a payment you receive from an RRSP that has not yet started to pay you a retirement income. ■ Do not claim a deduction for the amount transferred, and do not report any amount on your return.	T2033 **
Property from a RRIF	**No**	**No**	**Yes**	**No**	■ This is an amount transferred from one of your RRIFs to another of your RRIFs. ■ Do not claim a deduction for the amount transferred, and do not report any amount on your return.	T2033
Excess amount from a RRIF	**No**	**Yes**	**Yes**	**Yes**	■ The excess amount is shown in box 24 of your T4RIF slip. The excess amount is also included in the total shown in box 16 of the same T4RIF slip. Report the total amount shown in box 16 on your return. ■ See line 115 of your income tax guide for details on how to report this income. ■ If the excess amount is transferred to your RRSP, claim a deduction for the amount transferred on line 208 of your return. If the excess amount is transferred to your RRIF or to an issuer to buy an eligible annuity, claim a deduction for the amount transferred on line 232 of your return.	T2030
Saskatchewan Pension Plan (SPP) lump-sum payment	**No**	**Yes**	**Yes**	**Yes**	■ This includes a lump-sum payment you receive from your SPP or from your spouse's or former spouse's SPP because your spouse or former spouse died. ■ Do not claim a deduction for the amount transferred, and do not report any amount on your return.	

* You can find the title of the form on page 26.

** You can use this form to provide you with a record of the transfer. However, you do not have to use this form to have the transfer made.

Chart 3 — Transfer of payments you receive because of marriage breakdown

- In all cases, the transfer **must be direct**. If any of the types of payments listed below are paid to you (e.g. in cash or by cheque), you have to include them in your income for the year you were paid, and the opportunity to transfer them on a tax-free basis is not available. Therefore, if you want to transfer these amounts to another registered plan or fund, make sure they are transferred directly.
- In all cases, you must be entitled to the payment under a decree, order, judgment of a court, or written agreement relating to a division of property between you and your spouse or former spouse in settlement of rights arising from the breakdown of your marriage.
- If you are transferring the amount to your RRSP, you must be under 72 throughout the year in which the transfer is made.
- Unless otherwise stated, the Form listed can be (but does not have to be) used to document the transfer.

Type of payment	Can be transferred to your:				Instructions	Form
	RPP	RRSP	RRIF	Annuity		
RPP lump-sum payment	Yes	Yes	Yes	No	■ Do not claim a deduction for the amount transferred, and do not report any amount on your return.	T2151
Property from an unmatured RRSP	No	Yes *	Yes	No	■ You and your spouse have to be living separate and apart at the time of the transfer because of the breakdown of your marriage. ■ Do not claim a deduction for the amount transferred, and do not report any amount on your return.	T2220
Property from a RRIF	No	Yes	Yes	No	■ Do not claim a deduction for the amount transferred, and do not report any amount on your return.	T2220
Saskatchewan Pension Plan lump-sum payment	No	Yes	Yes	Yes	■ You and your spouse have to be living separate and apart at the time of the transfer because of the breakdown of your marriage. ■ Do not claim a deduction for the amount transferred, and do not report any amount on your return.	

* You and the RRSP issuers have to complete and submit Form T2220 for this type of transfer.

Direct transfer of an excess RPP lump-sum payment

In most cases, if you have an RPP lump-sum payment transferred directly to another RPP, to an RRSP, or to a RRIF, you do not have to include any part of the payment in your income, and you cannot deduct it. However, the *Income Tax Act* limits how much can be transferred directly to such registered plans or funds without you having to include an amount in your income. If the amount transferred for you is more than the limit, you have to include the excess transfer in your income. Your T4A slip shows the excess transfer as pension income in box 18, which you report on line 130 of your return.

If the excess transfer is made to your RRSP, we consider you to have contributed it to the RRSP in the year in which it is transferred. The issuer will give you an official RRSP receipt for this contribution. Similarly, if the excess transfer is made to your RRIF, we consider you to have contributed it to your RRSP, even though it was transferred to your RRIF. The carrier will give you an official RRSP receipt for this contribution.

You can deduct these RRSP contributions on line 208 of your return, up to your RRSP deduction limit for the year in which the transfer is made. If you cannot deduct them because they are more than your RRSP deduction limit for the year, 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, you may be subject to the 1% per month tax on undeducted RRSP contributions during the period they stay in the RRSP or the RRIF. For more details, see "Tax on undeducted RRSP contributions" on page 12.

Withdrawal from an RRSP or RRIF — If you withdraw funds from an RRSP or RRIF in 1995, and you did not deduct the RRSP contributions that we consider you to have contributed for the excess transfer, a deduction is available for the amount previously not deducted if you included the excess transfer in your income for the year you received it. If you do 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. Deduct the amount on line 232 of your return.

Other transfers

Lump-sum payment from a non-registered pension plan — You can transfer these payments to your RPP or RRSP if you receive them for services rendered by you, your spouse, or former spouse in a period throughout which that individual was not resident in Canada. If any part of the lump-sum payment is exempt from tax because of a tax treaty with another country and you deduct it, you cannot also deduct that exempt part as a transfer.

Report these payments on line 115 of your return. If the amount is transferred to your RPP, claim the deduction for the amount transferred on line 207 of your return. If the amount is transferred to your RRSP, claim the deduction for the amount transferred on line 208 of your return and complete Schedule 7, *RRSP Unclaimed Contributions, Transfers, and Designations of Repayments under the Home Buyers' Plan.*

Amounts from an estate or testamentary trust — You can transfer to your RPP or RRSP amounts an estate or testamentary trust designates as pension income eligible for transfer. These amounts are shown in box 22 of your T3 slip issued for 1995. Report these amounts on line 130 of your return.

If the amount is transferred to your RPP, claim the deduction for the amount transferred on line 207 of your return. If the amount is transferred to your RRSP, claim the deduction for the amount transferred on line 208 of your return and complete Schedule 7, *RRSP Unclaimed Contributions, Transfers, and Designations of Repayments under the Home Buyers' Plan.*

American individual retirement arrangements (IRAs) — You can transfer to your RPP or RRSP lump-sum payments you receive from certain IRAs, 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 receive from custodial, trusteed, and annuity IRAs.

Report these payments on line 115 of your return. If the amount is transferred to your RPP, claim the deduction for the amount transferred on line 207 of your return. If the amount is transferred to your RRSP, claim the deduction for the amount transferred on line 208 of your return and complete Schedule 7, *RRSP Unclaimed Contributions, Transfers, and Designations of Repayments under the Home Buyers' Plan.*

DPSP lump-sum payment — 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 details, see Interpretation Bulletin IT-281, *Elections on Single Payments from a Deferred Profit-Sharing Plan.*

Amounts you contribute to your RPP for service you performed in 1989 or an earlier year — On line 207 of your return you can deduct amounts you contribute to your RPP (including repayments and related interest expenses that you made pursuant to a proposed prescribed statutory provision), for periodic pension payments you received in the year from an RPP, if you contribute these amounts for **services you performed in 1989 or earlier years.** To be deductible, you have to make your contribution under an agreement you signed before March 28, 1988. The amount you can deduct is the lesser of the contributions you make in the year, or the periodic RPP payments you receive in the year.

Repayments of pension benefits — On line 207 of your return, you may be able to deduct an amount for repayments you make, including interest on the repayment, to your RPP. For more details, contact your tax services office.

Transfer of the excess amount from a RRIF where the annuitant died before 1993 — If a RRIF annuitant died in 1992 or a prior year, the surviving spouse can 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), 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.

You can use Form T2030, *Direct Transfer Under Subparagraph 60(l)(v)*, to instruct the RRIF carrier to transfer directly the RRIF excess amount. 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 excess amount is shown in box 16 and box 24 of your T4RIF slip. Include in your income only the amount shown in box 16. For details on how to report this amount, see line 115 of your income tax guide.

On line 232 of your return, deduct the part of the excess amount transferred directly to another RRIF, or to an issuer to buy an eligible annuity. On line 208 of your return, deduct 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.

Chapter 6 — Pension Adjustments (PAs) and Past-service Pension Adjustments (PSPAs)

Pension adjustments (PAs)

The following is an overview of PAs under registered pension plans (RPPs) and deferred profit-sharing plans (DPSPs). If you want to know how PAs are calculated, or why you have a PA, ask your employer.

Your PA for a year is the total of your pension credits accrued for the year under defined benefit provisions of RPPs and under DPSPs your employer sponsors. A pension credit is a measure of the value of the benefit you earn for the year under an RPP defined-benefit provision, or under a DPSP.

Under proposed law, if you participate in a government-sponsored retirement arrangement or a specified retirement arrangement, your pension credit amount may also measure the value of the benefits you earn for the year under these arrangements.

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 from your RPP, your employer may still have to report a PA for you for the year in which you stop working.

Where your PA is shown on your T4 or T4A slip — Your PA for 1995 is shown in box 52 of your 1995 T4 slip, or in box 34 of your 1995 T4A slip. If you worked for more than one employer in 1995, and each employer sponsors their own RPP or DPSP, you may have more than one PA for 1995. Enter the total of your 1995 PAs shown on your 1995 T4 or T4A slips on line 206 of your 1995 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 an RRSP, 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 details on how to calculate your RRSP deduction limit, see "Calculating your 1995 RRSP deduction limit" on page 8.

Under proposed law, if you participate in a foreign plan, you may be required to report an amount similar to a PA that will reduce your RRSP deduction limit for the following year. To determine the amount that you have to report, contact your tax services office.

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.

A PSPA is an amount your plan administrator calculates. 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.

A PSPA will not occur on past-service benefits provided for service you performed in 1989 or earlier years. A PSPA will reduce your RRSP deduction limit for the year it is reported. For details on how to calculate your RRSP deduction limit, see "Calculating your 1995 RRSP deduction limit" on page 8.

Cost of past-service benefits

The amount it costs you to pay for past-service benefits will likely not 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, by making instalment contributions, or by **transferring directly** amounts from certain other registered plans. These transfers may reduce the PSPA amount 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 (an unmatured RRSP is an RRSP that has not started to pay a retirement income), a money-purchase provision of an RPP, or from a DPSP. You can make a qualifying transfer to pay for all or part 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. You do not report your qualifying transfer amount as income and you cannot deduct it.

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.

Exempt PSPAs — Exempt PSPAs usually occur when 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 more than zero, the plan administrator has to report the PSPA to us and to the plan member. For exempt PSPAs, the plan administrator has to use a T215 slip, *Past-Service Pension Adjustment (PSPA) Exempt From Certification.* **Do not** attach the T215 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 more than zero and do not meet the conditions for exemption outlined under "Exempt PSPAs" on page 24 have to be certified by us. We have to certify the PSPA for the past-service benefits before you have the right to receive the benefits under the plan.

Your plan administrator applies for PSPA certification by submitting a completed Form T1004, *Applying for the Certification of a Provisional PSPA.* Since the *Income Tax Act* has limits on the PSPA amount for past-service benefits that can be certified, we will apply these limits to the information on Form T1004 and determine if we can grant certification.

What happens if we cannot certify your PSPA?

If we cannot grant certification because the PSPA amount is more than the allowable limit, you may still be able to obtain certification if you agree to make a qualifying RRSP withdrawal. We will send you Form T1006, *Designating an RRSP Withdrawal as a Qualifying Withdrawal,* which you use to designate a qualifying withdrawal. Complete this form and return it to us within 30 days.

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, and will send it 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 you withdraw it. You have to meet a number of conditions before we will consider the amount to be a qualifying withdrawal. If you meet these conditions, you can designate the withdrawal and we can certify the PSPA. We outline these conditions in Area III of Form T1006 that you use to designate a qualifying withdrawal.

Net PSPA

Your net PSPA for 1995 reduces the amount of RRSP contributions you can deduct for 1995. Your 1995 net PSPA is:

- the total of your exempt PSPAs (box 2 of your T215 slip) and certified PSPAs for the year (copy 2, Form T1004, Area III),

  minus

- your RRSP qualifying withdrawals (Form T1006, Area III).

Under proposed law, your 1995 RRSP deduction limit may be reduced by a 1995 net PSPA or similar amount if you participated in a government-sponsored retirement arrangement, a foreign plan, or a specified retirement arrangement in 1995, and your past-service benefit accruing under the plan was increased in 1995.

You can find your 1995 RRSP deduction limit on your latest *Notice of Assessment* or *Notice of Reassessment*. If you receive a 1995 T215 slip or a certified Form T1004 after we send you your notice, we may reduce your 1995 RRSP deduction limit. In such a case, we will usually send you Form T1028, *RRSP Deduction Limit Statement,* and give you your revised 1995 RRSP deduction limit when we have updated our records. If you do not receive Form T1028 and you want to confirm your 1995 RRSP deduction limit, contact your tax services office.

References

The following forms and publications are available from your Revenue Canada tax services office or tax centre.

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*

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 *Death of a RRIF Annuitant — Designated Benefit*

T2019 *Death of an RRSP Annuitant — 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*

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 *1995 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*

Interpretation bulletins

IT-124 *Contributions to Registered Retirement Savings Plans*

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

Home Buyers' Plan — For 1996 Participants

Glossary

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

Commutation payment — 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.

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

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

Financially dependent — If the annuitant died in 1995, 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 net income (shown on line 236 of your return) for 1994 is $6,456 or less. If your income is over $6,456 for 1994, you are not considered to be financially dependent on the annuitant at the time of death, unless you can establish the contrary. In such a case, you or the legal representative should submit a request in writing to your tax services office outlining the reasons why you should be considered financially dependent on the annuitant at the time of death.

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.

Money-purchase provisions — These are the terms of a registered pension plan (RPP) under which the amount of your pension depends on how much you and your employer contribute to the RPP for your benefit.

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 or an employee 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 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.

Retiring allowance — A retiring allowance is an amount your 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.

The eligible part of your retiring allowance that you can transfer to your RPP or RRSP is $2,000 for each year or part-year that you were employed by the employer or a person related to the employer from whom you received the retiring allowance. You can also transfer an extra $1,500 for each year or part-year of that employment that was before 1989, if you were not entitled to receive all the benefits earned under the RPP or DPSP for contributions your employer made for you for those years.

Under proposed law, the limit of $2,000 that may be deducted for each year of service in respect of the transfer of a retiring allowance to an RPP or an RRSP will only apply to years of service before 1996.

Specified retirement arrangement — Under proposed law, a specified retirement arrangement is a pension plan that is not registered for income tax purposes and is either unfunded or only partially funded.

Spouse — Note that 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 your child's natural or adoptive parent (legal or in fact); or
- had been living with you in such a relationship 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 because of a breakdown in the relationship.