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# RRSPs and Other Registered Plans for Retirement

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## Before You Start

### Is this guide for you?

Use this guide if you want information about registered pension plans (RPPs), registered retirement savings plans (RRSPs), or registered retirement income funds (RRIFs). This guide has information that is not in your income tax package which you may need to complete your return.

The first three chapters provide information about plans or funds to which you can contribute. Chapter 1 provides details about making contributions to an RPP, a plan established by your employer who usually has to contribute to the plan each year. Chapter 2 provides details about RRSPs, including what your options are if you cannot deduct all the amounts you contribute to an RRSP. Chapter 3 gives a description of the types of amounts you can contribute to a RRIF.

To know the amounts you can receive from an RRSP or a RRIF, and to find out how to report those amounts, see Chapter 4. If you want to transfer an amount from one of your plans to another, see Chapter 5 for your options. Chapter 6 provides general information on the pension adjustment (PA), past-service pension adjustment (PSPA), and pension adjustment reversal (PAR). We use these three amounts to determine how much you can contribute to an RRSP.

**Glossary** – We have included the definition of some of the terms used in this guide in a glossary on page 5. You may want to read the glossary before you start.

**Forms and publications** – Throughout the guide, we refer to other forms and publications. You can get these documents from any tax services office or tax centre.

### 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 RRSP contributions you can deduct for 1997.

If you call our automated T.I.P.S. (RRSP) service for 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 1996 return.

This service is available from September to May. You can find this number under “T.I.P.S.” in the forms booklet with your personalized income tax package. You can also find the T.I.P.S. telephone number listed under “Revenue Canada” in the Government of Canada section of your telephone book.

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

### Internet

Many of our publications are available on the Internet. Our Internet address is:

<http://www.rc.gc.ca>

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).

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## What's New for 1997?

The following changes will be effective for 1997 and following years.

- The age limit for having an unmatured RRSP has changed. If you turn 69, 70, or 71 in 1997, this is the last year that contributions can be made to your RRSP. For more information, see "Age limits for contributing to an RRSP" on page 9.
- You have to start receiving a pension from your registered pension plan (RPP) by the end of the year you turn 69. If before March 6, 1996, your RPP already provided a later specific starting date for your pension benefits, that date will remain in effect.
- The maximum age at which you can accrue a current year benefit under an RPP has changed from 71 to 69.
- Under proposed changes, starting in 1997, the yearly limit for contributing to a registered education savings plan will increase from \$2,000 to \$4,000. For more information about these rules, get the fact sheet called *Registered Education Savings Plans*.

- Under proposed changes for 1997 and following years, the \$1,000 that reduces the pension adjustment (PA) calculations for **certain defined benefit pension plans** will be reduced to \$600. This means your RRSP deduction limit for 1997 and following years will be \$400 less than it would have been if the PA calculation had not changed. If you have questions about your PA calculation, contact your employer or plan administrator.

We have also made the following changes to the guide.

- Details about retiring allowances are now included in Chapter 5 on page 20.
- The information in Chapter 5 deals with the most common types of transfers. For transfers that are not covered, get a copy of Interpretation Bulletin IT-528, *Transfers of Funds Between Registered Plans*.

## What's New for 1998?

The following changes will be effective for 1998 and following years.

- Under proposed changes, starting in 1998, the subscriber to a registered education savings plan (RESP) will now be able to withdraw the income earned on the contributions in the plan. The subscriber's income may be reduced by the amount of RRSP contributions made to the subscriber's RRSP or the subscriber's spouse's RRSP. This reduction is subject to the RRSP deduction limit for the year. The total of all RRSP contributions used to reduce the subscriber's income from a RESP cannot exceed \$40,000. Amounts not contributed to RRSPs will be included in the subscriber's income and will be subject to an additional 20% tax. For details, get Form T1172, *Tax on Accumulated Income Payments from RESPs for 1998*.

- Under proposed changes, for 1997 and following years, a reduced RRSP deduction limit will be restored by giving a Pension Adjustment Reversal (PAR) to certain individuals who earn benefits under an RPP or DPSP and who leave their plans before retirement. For more information, see "Pension adjustments" on page 24.
- Under proposed changes affecting years after 1997, the \$1,000 that reduces the pension adjustment (PA) calculations for **unregistered pension arrangements** will be reduced to \$600. This means your RRSP deduction limit for 1998 and following years will be \$400 less than it would have been if the PA calculation had not changed. If you have questions about your PA calculation, contact your employer or plan administrator.

## Glossary

This glossary gives you a general description of the technical terms that we use in this guide.

**Acronyms** – The following is a list of the acronyms we use.

DPSP – Deferred profit-sharing plan  
FMV – Fair market value  
HBP – Home Buyers' Plan  
PA – Pension adjustment  
PAR – Pension adjustment reversal  
PSPA – Past-service pension adjustment  
RPP – Registered pension plan  
RRIF – Registered retirement income fund  
RRSP – Registered retirement savings plan  
SPP – Saskatchewan Pension Plan

**Commutation payment** – This 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.

**DPSP** – This is an employer-sponsored plan, that we register, in which 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 an RPP that are determined in a way other than a money-purchase plan. They usually promise a specified level of pension on retirement for each year of your pensionable service.

**Financially dependent** – For 1997, you are generally considered financially dependent on a deceased annuitant at the time of death if, before death, you ordinarily resided with and depended on the annuitant, and your net income (shown on line 236 of your return) for 1996 was \$6,456 or less. If, before death, you lived away from home because you were attending school, we still consider you to have resided with the annuitant.

If your income was more than \$6,456 for 1996, we will not consider you 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 we should consider you as financially dependent on the annuitant at the time of death.

**Foreign plan** – This is a plan or arrangement maintained primarily to benefit non-residents for services they perform outside Canada.

**Government-sponsored retirement arrangement** – This 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.

**Matured RRSP** – This is an RRSP that is paying you retirement income.

**Money-purchase provisions** – These are the terms of an RPP under which the amount of your pension depends on how much you and your employer contribute to the RPP for your benefit.

**RPP** – This is a pension plan that we have registered. It is a plan where funds are set aside by an employer, an

employee, or both to provide a pension to employees when they retire.

**RRIF** – This is a fund we register that an individual (the annuitant) has established to provide the annuitant with retirement income.

**RRSP** – This is an individual retirement savings plan that we register. Usually, we permit contributions to the RRSP, and any income you earn in the RRSP is generally exempt from tax until you receive payments from the plan.

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

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

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

**RRSP overcontribution** – Generally, this is an amount which is more than your RRSP limit for the year plus \$2,000. Overcontributions may be subject to a tax of 1% per month. For more information, read "Tax on overcontributions" on page 13.

**RRSP undeducted contributions** – This is the amount of RRSP contributions which you could not deduct or have chosen not to deduct. You can carry forward this amount and use it as a deduction in a future year up to your RRSP deduction limit for that year.

**Specified retirement arrangement** – This is a pension plan that we do not register for income tax purposes and is either not funded or only partly funded.

**Spouse** – This term applies to a legally married and common-law spouse. A common-law spouse is a person of the opposite sex who, at that particular time in 1997, lived with you in a common-law relationship, and either:

- 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 months, include any period of separation of less than 90 days).

Once either of these 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.

**Unmatured RRSP** – Generally, this is an RRSP that has not yet started to pay you a retirement income.

**Unused RRSP deduction room at the end of the year** – This amount is one of the factors used to calculate your RRSP deduction limit for a year.

## Chapter 1 – RPP Contributions

This chapter has information about making contributions to your registered pension plan (RPP). Particularly, it will help you calculate the amount you can deduct for RPP contributions if you:

- contribute more than \$3,500 to an RPP in 1997 and your information slip shows a past-service amount for a period before 1990; or
- contributed a past-service amount in an earlier year, for a period before 1990, and you have not fully deducted the amount contributed.

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

Generally, past service is work you performed for an employer in an earlier year that later becomes pensionable service under defined-benefit provisions of your RPP. Past-service contributions are amounts you contribute for that work. They may also include contributions you make to upgrade benefits for pensionable service you accrued in the past.

You usually make your past-service contributions in a lump sum or by instalments. Your RPP may allow you to directly transfer amounts from other registered plans to pay for the cost of the past-service benefits. For more information, see Chapter 5, "Transfers to Registered Plans or Funds and Annuities," which starts on page 20.

If you need more information on RPP contributions, get Interpretation Bulletin IT-167, *Registered Pension Plans – Employee's Contributions*.

### Contributions for current service and past service for 1990 or later years

On line 207 of your return, you can deduct the amount shown in box 20 of your 1997 T4 slip (if there is no amount in the Footnotes area of the slip) or on your union dues receipt. This amount includes:

- contributions for current service; and
- contributions for past service for 1990 or later years.

If you do not deduct these contributions on your 1997 return, you cannot deduct them for a later year.

If there is an amount in the Footnotes area of your T4 slip, it may indicate that part or all of the Box 20 amount is for past service. For more information, see "Past-service contributions for 1989 or earlier years" on this page.

#### Note

Pension benefits you earn on a past-service basis for 1990 or later years may cause a past-service pension adjustment (PSPA). For more information on PSPAs, see "Past-service pension adjustments (PSPAs)" on page 24.

### Past-service contributions for 1989 or earlier years

If your past-service contributions are for 1989 or earlier years, you calculate the amount you can deduct 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 7 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 appear in box 20 and the Footnotes area of your 1997 T4 slip, box 32 and box 38 of your 1997 T4A slip, or on a receipt that your plan administrator issued.

In some cases, you may be able to deduct for 1997 only part of the past-service contribution you make. If this applies to you, you can carry forward the amount you cannot deduct to 1998 or later years. Future versions of this guide will enable you to calculate the amount you can deduct for that later year.

If for 1997 you deduct a carryforward of a past-service contribution from an earlier year, attach a statement to your 1997 return giving a breakdown of the amount of contributions you claimed for service while you were a contributor and for services while you were not a contributor.

The chart on page 8 will help you determine the amount you can deduct for 1997 for past-service contributions you made for 1989 or earlier years.

#### Note

The maximum amount you can deduct for past-service contributions made for 1989 or earlier years for service while not a contributor is limited to  $\$3,500 \times$  the number of years or part years of service you 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 include this amount when you calculate how much you can deduct for past-service contributions for 1997 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 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 the instalment interest on line 232 of your return since there are limits on how much you can deduct on line 207 of your return for past-service contributions you made for service you performed in 1989 or earlier years.

### Other deductions

The *Income Tax Act* allows you to deduct repayments you make to your RPP in certain circumstances. Currently, this applies to you only if you participate in an RPP under one of the following acts:

- the *Public Service Superannuation Act*;
- the *Canadian Forces Superannuation Act*;
- the *Royal Canadian Mounted Police Superannuation Act*; or
- the *Members of Parliament Retiring Allowances Act*.

For more information, contact your tax services office.

**How do you determine 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 to a plan. 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 in the year for which you paid your past-service contribution?**

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 8 to calculate the amount you can deduct for these contributions.

**Example** – Ryan joined TTM Company’s RPP on February 4, 1997. This RPP allowed Ryan to buy back 12 years of employment with CCD Company, a previous employer. During those 12 years (1977 to 1988), Ryan contributed to CCD Company’s RPP. Ryan answers *yes* to this question because he contributed to an RPP during a year for which he made the past-service contribution.

**Example** – Justin became a member of XTJ Company’s RPP in January 1990. He started working for XTJ in June 1989, but did not contribute to any RPP in 1989. In 1997, XTJ’s RPP allows Justin to buy back his 1989 service with the company for \$2,500. Justin answers *no* to this question because he did not contribute to any RPP in 1989. Justin’s \$2,500 contribution is for service while not a contributor.

**Step 2**

**Did you make the past-service contribution to the same RPP (and for the same year) to which you contributed 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 8 to calculate the amount you can deduct for these contributions.

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

**Example** – Fern worked for YW Ltd. from 1980 to the present and contributed to his employer’s RPP during those years. In 1997, Fern upgraded his benefits under the RPP for past services he performed for YW Ltd. from 1980 to 1988 for \$8,000. Fern answers *yes* to this question because he made the past-service contribution to the same RPP that he contributed to from 1980 to 1988. Fern’s \$8,000 contribution is for service while a contributor.

**Example** – Jane 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. Jane’s new employer’s RPP allowed her to buy back the past service with her previous employer. Jane bought this service in July 1987. Jane answers *no* to this question because she did not make the past-service contribution to the same RPP to which she contributed 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.
- You made the past-service contribution under the terms of a written agreement entered into before March 28, 1988.

If you answer *yes* to either of the above statements, your past-service contribution is for service while not a contributor. Complete Area B of the chart on page 8 to calculate the amount you can deduct for these contributions.

If you answer *no* to either of the above statements, your past-service contribution is for service while a contributor. Complete Area C of the chart on page 8 to calculate the amount you can deduct for these contributions.

**Example** – Tracey joined DEF Company’s RPP on January 15, 1988. This RPP allowed Tracey to buy back her six years of employment with ABC Company, her previous employer. During those six years, Tracey contributed to ABC Company’s RPP. Tracey entered into a written agreement on March 1, 1988, to buy those six years of past service. Tracey has to contribute \$1,000 each year for 15 years to pay for this service. Since one of the statements applies to Tracey (she made the past-service contribution under the terms of a written agreement she entered into before March 28, 1988), her \$1,000 yearly contribution is for service while not a contributor.

**Example** – Martha is a member of her current employer’s RPP. She entered into an agreement on April 12, 1990, to buy (for \$12,000) past service she performed in 1988 and 1989 with another employer for a period when she contributed to a different RPP. Since neither of the statements applies to Martha (she did not make the past-service contribution before March 28, 1988, and she did not make the past-service contribution under the terms of a written agreement she entered into before March 28, 1988), her \$12,000 contribution is for service while a contributor.

**Calculating your 1997 deduction for your RPP contributions**

**Area A – Complete this area if you made current-service contributions in 1997, or if you made past-service contributions in 1997 for services you performed in 1990 or later years. If you do not have to complete this section, enter "0" on line 21.**

- |   |         |   |
|---|---------|---|
| 1. Enter the total of all amounts from box 20 of your 1997 T4 slips, box 32 of your 1997 T4A slips, or from your receipts for union dues 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 <b>minus</b> line 2. This is the amount of your current-service and past-service contributions for 1990 and later years that you deduct for 1997. 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 1997 or earlier years for past-service contributions while not a contributor.   | _____   | 4  |
| 5. Enter the amount you deducted before 1997 for the contributions you entered on line 4.   | - _____ | 5  |
| 6. Line 4 <b>minus</b> line 5.  | = _____ | 6  |
| 7. Annual deduction limit.  | _____   | 7  |
|   | 3,500   |    |
| 8. Number of years of service to which the contributions on line 4 relate _____ x 3,500.  | _____   | 8  |
| 9. Enter the amount from line 5.  | - _____ | 9  |
| 10. Line 8 <b>minus</b> line 9.   | = _____ | 10 |
| 11. Enter the amount from line 6, 7, or 10, <b>whichever is less</b> . This is the amount of your past-service contributions for 1989 and earlier years for services while not a contributor that you can deduct for 1997. Enter the amount you deduct for 1997 on line 22 of Area D. * | _____   | 11 |

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

- |  |         |      |
|--|---------|------|
| 12. Enter the total amounts you contributed in 1997 or earlier years for past service while a contributor.   | _____   | 12   |
| 13. Enter the amount you deducted before 1997 for contributions you entered on line 12.  | - _____ | 13   |
| 14. Line 12 <b>minus</b> line 13.  | = _____ | → 14 |
| 15. Annual deduction limit.  | _____   | 15   |
|  | 3,500   |      |
| 16. Enter the amount from line 3 in Area A that you deduct for 1997.   | _____   | 16   |
| 17. Enter the amount from line 11 in Area B that you deduct for 1997.  | + _____ | 17   |
| 18. Line 16 <b>plus</b> line 17.   | = _____ | → 18 |
| 19. Line 15 <b>minus</b> line 18 (if negative, enter "0").   | = _____ | → 19 |
| 20. Enter the amount from line 14 or 19, <b>whichever is less</b> . This is the amount of your past-service contributions for 1989 and earlier years for services while a contributor that you can deduct for 1997. Enter the amount you deduct for 1997 on line 23 of Area D. * | _____   | 20   |

**Area D – Complete this area to calculate the total amount you can deduct on line 207 of your 1997 return.**

- |   |         |    |
|---|---------|----|
| 21. Enter the amount from line 3 in Area A that you deduct for 1997. (If you did not complete Area A, enter "0"). | _____   | 21 |
| 22. Enter the part of the amount from line 11 in Area B that you deduct for 1997.                                 | + _____ | 22 |
| 23. Enter the part of the amount from line 20 in Area C that you deduct for 1997.                                 | + _____ | 23 |
| 24. <b>Add</b> lines 21, 22, and 23. Enter this amount on line 207 of your 1997 return.                           | = _____ | 24 |

\* There is no annual deduction limit for deceased individuals. The legal representative can choose to deduct these amounts in the year of death or the year before, or a part in each year, whichever is more beneficial.



## Chapter 2 – RRSP Contributions

This chapter has general information on contributing to your RRSPs or your spouse's RRSPs, and lists your options if you contribute more than the amount you can deduct. This chapter also applies to you if you want to know how to calculate your 1997 RRSP deduction limit. The rules we explain in this chapter apply to all RRSPs.

**Canada Savings Bonds** – You can transfer your holdings of past series compound-interest Canada Savings Bonds to your RRSP or your spouse's RRSP. The amount you transfer is considered a contribution to the RRSP. For more information, contact your RRSP issuer.

**Self-directed RRSP** – Certain rules apply to self-directed RRSPs that are available from most financial institutions. Your financial institution can tell you if it offers self-directed RRSPs.

You can contribute certain property to a self-directed RRSP. For some contributions, you may have to include an amount in your income. If you want to know more about the type of property you can contribute to a self-directed RRSP, and the rules that affect your income, get Interpretation Bulletin IT-320, *Registered Retirement Savings Plans – Qualified Investments*, or contact your plan issuer.

**Fees** – You cannot claim a deduction for amounts you pay for administration services for an RRSP. Also, you cannot deduct brokerage fees charged to buy and dispose of securities within a trustee RRSP.

### 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 we explain in the following sections.

Your RRSP issuer will give you an official receipt for the amounts you contributed to the plan. If you contributed to your spouse's RRSPs, the receipt should show your name as the contributor and your spouse's name as the annuitant. Attach the receipt to your return to support the amount you contributed. If you are using EFILE, show your receipts to your service provider, and keep them in case we ask to see them. If you do not get your receipt before the filing deadline, complete and file your return without deducting your contribution. When you get your receipt, see your income tax guide for instructions on how to claim your deduction.

If you deduct an amount for 1997 that you contributed up to March 1, 1997, complete and attach Schedule 7, *RRSP Contributions, Transfers, and Designations of Repayments Under the Home Buyers' Plan*, to your 1997 return. If, in a previous year, you contributed amounts which you have not deducted, you have to submit a Schedule 7 for that previous year in order to allow us to calculate your RRSP deduction for 1997.

### Age limits for contributing to an RRSP

The age limit for having an unmatured RRSP has changed. If you turn 69, 70, or 71 in 1997, this is the last year that contributions can be made to your RRSP. If you are contributing to an RRSP under which your spouse is the annuitant, your spouse must be 71 or younger in 1997. Consult the first column of the following chart to determine if you can still contribute to your RRSP or your spouse's in 1997. Consult the second column in 1998. If the contributions are to your spouse's RRSP, use your spouse's age when referring to the chart.

If, on December 31, 1997, the annuitant was:	If, on December 31, 1998, the annuitant was:
71 or younger – Yes	69 or younger – Yes
72 or older – No	70 or older – No

### Contributing to your RRSPs

This section will help you determine the RRSP deduction you can deduct on line 208 of your 1997 return.

#### How much can you deduct?

The amount you can deduct for 1997 for RRSP contributions is based on your 1997 RRSP deduction limit, which appears on your latest *Notice of Assessment* or *Notice of Reassessment*.

You can also deduct amounts for contributions you make for certain income you transfer to your RRSPs. The RRSP deduction limit does not include these amounts. For more information on transfers, see Chapter 5 which starts on page 20.

If we reassess a previous-year return, your revised 1997 RRSP deduction limit will appear on your *Notice of Reassessment*. If your RRSP deduction limit has changed for other reasons, we will send you Form T1028, *Your RRSP Deduction Limit Statement for 1997*, giving you the new limit.

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

#### Contributions you can deduct for 1997

For 1997, you can deduct contributions you made to your RRSPs from January 1, 1991 to March 1, 1998. You can deduct these contributions if you did not deduct them for any other year, and if they are not more than your RRSP deduction limit for 1997. Even if you can no longer contribute to your RRSPs in 1997 because of your age, you can deduct, up to your RRSP deduction limit, the contributions made in a previous year while your age permitted.

#### Note

You cannot deduct the interest you paid on money you borrowed to contribute to an RRSP.

**The Home Buyers' Plan (HBP)** – If you participate in the HBP, 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 withdrew an amount under the HBP. To determine the portion of the contribution you made to your RRSP that you cannot deduct, get the pamphlet called *Home Buyers' Plan (HBP) – For 1997 Participants*.

## Contributing to your spouse's RRSPs

This section applies to you if you contribute to an RRSP for your spouse. Generally, the total amount you can deduct on line 208 of your 1997 return for contributions you make to your spouse's RRSPs and your RRSPs cannot be more than your 1997 RRSP deduction limit.

### Example

Joey's 1997 RRSP deduction limit is \$9,500. Joey contributes \$4,000 to his RRSPs in 1997, and \$6,000 to his spouse Ghislaine's RRSPs in 1997. Joey deducts the \$4,000 he contributed to his RRSPs on line 208 of his 1997 return. Although Joey contributed \$6,000 to his spouse's RRSPs in 1997, he can only deduct \$5,500 of this contribution on his 1997 return (\$9,500 – \$4,000).

If you cannot contribute to your RRSP because of your age, you can still contribute to your spouse's RRSP if your spouse is under the age limit. Consult the chart on page 9 to verify if you can contribute to your spouse's RRSP for 1997. When reading this chart use your spouse's age.

**Contributions made after death** – No contributions can be made to a deceased individual's RRSPs after the date of death. However, the deceased individual's legal representative can make a contribution to the surviving spouse's RRSP in the year of death or during the first 60 days after the end of that year. Contributions to spousal RRSPs can be claimed on the deceased individual's return, up to that individual's RRSP deduction limit for the year of death.

### Example

Dave died in August 1997. His 1997 RRSP deduction limit is \$7,000. Before he died, Dave did not contribute to either his RRSPs or his wife's RRSPs for 1997. Paula is 66 years old in 1997. On Dave's behalf, his legal representative can contribute up to \$7,000 to Paula's RRSPs for 1997. The legal representative can then claim an RRSP deduction of up to \$7,000 on line 208 of Dave's 1997 final return.

### Note

If you contributed amounts to your spouse's RRSPs in 1995, 1996, or 1997, you may have to include in your 1997 income all or part of the amount your spouse withdrew in 1997 from his or her spousal RRSPs. For more information, see "Amounts from a spousal RRSP or RRIF" on page 19.

**The Home Buyers' Plan (HBP)** – If your spouse participates in the HBP, you may not be able to deduct, for any year, all or part of the contributions you made to your spouse's RRSP during the 89-day period just before your spouse withdraws an amount under the HBP. To determine the part of the contribution you made to your spouse's

RRSP that you cannot deduct, get the pamphlet called *Home Buyers' Plan (HBP) – For 1997 Participants*.

## Keeping track of your RRSP contributions

### Schedule 7

Use Schedule 7, *RRSP Contributions, Transfers, and Designations of Repayments Under the Homebuyers' Plan*, to keep track of your undeducted RRSP contributions.

If you made contributions to your RRSP or your spouse's RRSP from March 2, 1997 to March 1, 1998, and did not claim them in total on your 1997 return, attach a completed Schedule 7 to your 1997 return. If you have already filed your return, complete Schedule 7 and send it to your tax centre with your RRSP receipt and a note indicating your name and social insurance number.

For details about how and when to file Schedule 7, read the section entitled "Schedule 7, *RRSP Contributions, Transfers, and Designations of Repayments Under the Homebuyers' Plan*," in your income tax guide.

**1996 and earlier years** – If you made contributions in the first 60 days of a year and you did not claim them in the previous year, you have to complete and file a Schedule 7 for that previous year. If you did not file a Schedule 7 when it was required, complete one and submit it to your tax centre. By doing so you will avoid that your deduction for contributions made in the first 60 days of the year will be reduced or disallowed. If you have not already filed a receipt for your RRSP contributions, submit one with your Schedule 7. If you did not receive a copy of Schedule 7 with your income tax package, you can get one from any tax services office or postal outlet.

### 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 year before. For more information, see "Tax on overcontributions" on page 13.

## Calculating your 1997 RRSP deduction limit

Your 1997 RRSP deduction limit is shown on the latest *Notice of Assessment* we sent you after we processed your return. We determined your limit from information on your 1996 and previous-year returns, and from information we keep on record. If any of that information changes, your 1997 RRSP deduction limit may also change. In most cases, we will tell you about any change to your 1997 RRSP deduction limit.

If you want to calculate your 1997 RRSP deduction limit, use the charts on pages 11 and 12.

### Note

The maximum RRSP deduction limit you can earn for 1997 is \$13,500. However, if you did not use all of your RRSP deduction limit for the years 1991 to 1996, you can carry forward the amount you did not use to 1997. Therefore, for 1997, your RRSP deduction limit may be more than \$13,500.

**1997 RRSP deduction limit**

The line numbers in the brackets below refer to the line numbers on your 1996 return.

**Step 1 – Calculating your unused RRSP deduction room at the end of 1996**

- |   |         |   |
|---|---------|---|
| 1. Enter your RRSP deduction limit for 1996. *  | _____   | 1 |
| 2. Enter the total of RRSP contributions you deducted on line 208 and Saskatchewan pension plan contributions you deducted on line 209 (do not include amounts you deducted for transfers of payments or benefits to an RRSP, or for the excess amount 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 1996). | - _____ | 2 |
| 3. Line 1 <b>minus</b> line 2. This is your unused RRSP deduction room at the end of 1996.  | = _____ | 3 |

**Step 2 – Calculating your 1996 earned income (include each amount only once in this step) \*\***

- |  |                   |    |
|--|-------------------|----|
| 4. Total of lines 101 and 104 on your return.  | _____             | 4  |
| 5. Royalties for a work or invention which you authored or invented (line 104).  | _____ 5           |    |
| 6. Net research grants you received (line 104).  | + _____ 6         |    |
| 7. Employee profit-sharing plan allocations (line 104).  | + _____ 7         |    |
| 8. Unemployment benefit plan payments (line 104).  | + _____ 8         |    |
| 9. <b>Add</b> lines 5 to 8.  | = _____ → - _____ | 9  |
| 10. Line 4 <b>minus</b> line 9.  | = _____           | 10 |
| 11. Annual union, professional, or like dues (line 212) that relate to the employment earnings you reported on line 4 above.   | _____ 11          |    |
| 12. Employment expenses (line 229) that relate to the employment earnings you reported on line 4 above.  | + _____ 12        |    |
| 13. Line 11 <b>plus</b> line 12.   | = _____ → - _____ | 13 |
| 14. Line 10 <b>minus</b> line 13 (if negative, enter "0").   | = _____ →         | 14 |
| 15. Amount from line 9 above.  | + _____           | 15 |
| 16. Net income from a business you carried on alone or as an active partner (lines 135 to 143). Enter losses on line 21 below.   | + _____           | 16 |
| 17. Disability payments you received from the Canada Pension Plan or Quebec Pension Plan (line 152).   | + _____           | 17 |
| 18. Net rental income from real property (line 126). Enter losses on line 23 below.  | + _____           | 18 |
| 19. The total of the alimony or maintenance payments you received in 1996, also the alimony or maintenance payments you previously paid and deducted for the year paid, but which are subsequently repaid to you and that you included in income for 1996 (line 128).        | + _____           | 19 |
| 20. <b>Add</b> lines 14 to 19.   | = _____           | 20 |
| 21. Current-year loss from a business you carried on alone or as an active partner (lines 135 to 143).   | _____             | 21 |
| 22. Amount included at line 16 above that represents the taxable portion of gains on the disposition of eligible capital property.   | + _____           | 22 |
| 23. Current-year rental loss from real property (line 126).  | + _____           | 23 |
| 24. Enter the total of the alimony or maintenance payments you made in 1996, also the alimony or maintenance payments you received and included in income for the year received that you subsequently repaid in 1996 or previous two years and deducted for 1996 (line 220). | + _____           | 24 |
| 25. <b>Add</b> lines 21 to 24.   | = _____           | 25 |
| 26. Line 20 <b>minus</b> line 25. This amount is your 1996 earned income.  | = _____           | 26 |

\* If you had a net PSPA in 1996 or a previous year and your 1996 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 1996 on line 3. This amount may be negative.

\*\* Certain income you earned in 1996 while you were a non-resident of Canada qualifies as earned income. ~~To find out the types of income that qualify, 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) phone 1-800-267-5177; calls from outside Canada and the U.S. (613) 952-3741 (call collect). For more information on residency, get Interpretation Bulletin IT-221, Determination of an Individual's Residence Status.~~

**Step 3 – The 1997 RRSP dollar limit**

27. Enter the amount from line 26.	_____	× 18%	=	_____	27
28. RRSP dollar limit for 1997.				13,500	28
29. Enter the amount from line 27 or 28, whichever is less.				_____	29

**Step 4 – Your 1996 pension adjustment (PA)**

30. Enter your 1996 PA (the total of box 52 of your 1996 T4 slips and box 34 of your 1996 T4A slips). ***	-	_____	30
31. Line 29 minus line 30 (if negative, enter "0").	=	_____	31

**Step 5 – Your 1997 net past-service pension adjustment (PSPA)**

32. Enter your exempt PSPA for 1997 (box 2 of your T215 slip, <i>Past-Service Pension Adjustment (PSPA) Exempt From Certification</i> ).		_____	32
33. Enter your certified PSPA for 1997 (line A in Area 3 of Form T1004, <i>Applying for the Certification of a Provisional PSPA</i> ).	+	_____	33
34. Line 32 plus line 33.	=	_____	34
35. Enter your qualifying withdrawals for 1997 (Area 3 of Form T1006, <i>Designating an RRSP Withdrawal as a Qualifying Withdrawal</i> ).	-	_____	35
36. Line 34 minus line 35. This amount is your 1997 net PSPA (this amount can be negative).	=	_____	36

**Step 6 – Your 1997 RRSP deduction limit**

37. Enter your 1996 unused RRSP deduction room from line 3 in Step 1.		_____	37
38. Enter the amount from line 31.	+	_____	38
39. Line 37 plus line 38.	=	_____	39
40. Enter your 1997 net PSPA from line 36 (this amount can be negative).	-	_____	40
41. Line 39 minus line 40. This amount is your 1997 RRSP deduction limit (if negative, enter "0").	=	_____	41

**Step 7 – Your 1997 unused RRSP deduction room**

42. Enter the amount from line 39.		_____	42
43. Enter the amount from line 40 (this amount can be negative).	-	_____	43
44. Line 42 minus line 43 (this amount can be negative).	=	_____	44
45. Enter the amount of RRSP contributions you deduct on line 208 of your 1997 return (cannot be more than the amount on line 41). 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 PSPA that you recontributed to this RRSP in 1997. ****	-	_____	45
46. Line 44 minus line 45. This amount is your 1997 unused RRSP deduction room that you can carry forward to 1998 (this amount can be negative).	=	_____	46

\*\*\* If you are a "connected person" you may have to enter an amount on line 30 in addition to amounts from your T4 or T4A slips. If this applies to you, your employer will give you a Form T1007, *Connected Person Information Return*. For more information on connected persons, get Interpretation Bulletin IT-124, *Contributions to Registered Retirement Savings Plans*.  
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 30 in addition to amounts from 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 1997, include the amount you deducted on line 209 of your 1997 return on line 45 of this chart.

## 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 Contributions, Transfers, and Designations of Repayments Under the Home Buyers' Plan*, with your return. For more information, see "Keeping track of your RRSP contributions" on page 10.

If you have not deducted all the contributions you made to your RRSPs or your spouse's RRSPs in 1991 and later years, you have two options: the undeducted contributions can be left in the plan, or they can be withdrawn. In either case, a tax may apply to the undeducted contributions. For more information, see "Tax on overcontributions" on this page.

### Withdrawing the undeducted contributions

If the undeducted contributions are withdrawn, you have to include them as income on your return. However, if you or your spouse 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 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 that you made to your RRSPs or to your spouse's RRSPs.
- 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 you transferred directly to an RRSP.
- No part of the withdrawn contribution was a lump-sum payment from the Saskatchewan Pension Plan that you 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 year before; or
  - you did not make the undeducted RRSP contributions intending to later withdraw them and deduct an offsetting amount.

#### 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.

**Withdrawal made using Form T3012A** – If you meet all of the preceding conditions, and have not already withdrawn the undeducted contributions made in 1991 and later years, you can withdraw them 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, do the following:

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

**Withdrawal made without Form T3012A** – If the undeducted RRSP contributions are withdrawn without Form T3012A, the issuer of the plan has to withhold tax. The amount withdrawn appears in box 22 of the T4RSP slip. Report the amount on line 129 of your return. Complete Form T746, *Calculating Your Deduction for Refund of Undeducted RRSP Contributions*, to calculate the amount you can deduct for the withdrawal.

### Tax on overcontributions

Generally, you have overcontributed if your undeducted contributions are more than your RRSP deduction limit shown on your 1996 *Notice of Assessment* plus \$2,000. A tax of 1% per month may apply to certain overcontributions you made in 1991 and later years, that are left in the plan. You should use a T1-OVP, *1997 Individual Income Tax Return for RRSP Excess Contributions*, to calculate the amount of undeducted contributions subject to this tax, and the tax payable. However, if your undeducted contributions resulted from mandatory group RRSP contributions or from contributions that you made before February 27, 1995, you may not have to pay this 1% tax on all your undeducted contributions. In this case, follow the six-step process described in the chart on the next page to determine if you have to complete a 1997 T1-OVP.

If you determine that you have to pay this 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 1997, 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.

#### Note

If you made excess contributions to your RRSP or your spouse's RRSP before 1991, call your tax services office to find out what your options are.

### Do you have to complete a 1997 T1-OVP return?

- If you have undeducted RRSP contributions made before 1998, and you determine using this chart that you do not have to file a 1997 T1-OVP, you may be subject to tax on those undeducted contributions in 1998 if you have a PSPA for 1997. To determine the amount of tax, get a copy of a 1998 T1-OVP from us.
- If you follow the chart below and arrive at a point where we say, "You do not have to complete a 1997 T1-OVP," you are not subject to the 1%-per-month tax. You do not have to go any farther in the chart.

Situation	Action
<p><b>Step 1</b> – Do either of these situations apply to you?</p> <ul style="list-style-type: none"> <li>■ You contributed amounts to your RRSPs or your spouse's RRSPs from January 1, 1991 to December 31, 1997 that you did not and will not deduct on your 1997 or earlier year returns.</li> <li>■ A gift was donated to your RRSPs from January 1, 1991 to December 31, 1997. A gift is any amount that someone other than you or your spouse contributed to your RRSPs.</li> </ul>	<ul style="list-style-type: none"> <li>■ If one of these situations applies to you, go to Step 2.</li> <li>■ If none of these situations apply to you, you do not have to complete a 1997 T1-OVP.</li> </ul>
<p><b>Step 2</b> – Is your 1997 RRSP deduction limit from your latest <i>Notice of Assessment</i> or <i>Notice of Reassessment</i> for 1996 more than the total of your undeducted contributions (including gifts) made from January 1, 1991 to December 31, 1996, plus the total of any RRSP contributions (including gifts) made during 1997?</p>	<ul style="list-style-type: none"> <li>■ If you answer <i>no</i>, go to Step 3.</li> <li>■ If you answer <i>yes</i>, you do not have to complete a 1997 T1-OVP.</li> </ul>
<p><b>Step 3</b> – Were you younger than 18 years old at any time in 1996?</p>	<ul style="list-style-type: none"> <li>■ If you answer <i>no</i>, go to Step 4.</li> <li>■ If you answer <i>yes</i>, you may be subject to tax on your undeducted RRSP contributions. Complete a 1997 T1-OVP to determine the amount of this tax.</li> </ul>
<p><b>Step 4</b> – Does the total of your undeducted RRSP contributions (including gifts) made from January 1, 1991 to December 31, 1997, total more than \$2,000?</p>	<ul style="list-style-type: none"> <li>■ If you answer <i>yes</i>, go to Step 5.</li> <li>■ If you answer <i>no</i>, you do not have to complete a 1997 T1-OVP.</li> </ul>
<p><b>Step 5</b> – Do any of these situations apply to you?</p> <ul style="list-style-type: none"> <li>■ At the end of 1997, all of your undeducted RRSP contributions (including gifts) were made before February 27, 1995.</li> <li>■ The total of your undeducted RRSP contributions (including gifts) were made from January 1, 1991, to February 26, 1995, and were \$8,000 or less.</li> <li>■ You contributed to an RRSP from February 27, 1995, to December 31, 1997.</li> </ul>	<ul style="list-style-type: none"> <li>■ If <b>all</b> of these situations apply to you, you do not have to complete a 1997 T1-OVP.</li> <li>■ If <b>one</b> of these situations <b>does not</b> apply to you, go to Step 6.</li> </ul>
<p><b>Step 6</b> – Were all the contributions you made in 1997 mandatory contributions as a result of your participation in a group RRSP?</p>	<ul style="list-style-type: none"> <li>■ If you answer <i>yes</i>, you do not have to complete a 1997 T1-OVP.</li> <li>■ If you answer <i>no</i>, you may be subject to tax on your undeducted RRSP contributions. Complete a 1997 T1-OVP to determine the amount of this tax.</li> </ul>

## Chapter 3 – RRIF Contributions

This chapter provides general information about RRIFs and lists the types of payments you can contribute to your RRIF. Generally, you can only contribute to your RRIF by directly transferring certain types of payments you receive or are considered to receive.

You can have more than one RRIF, and 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 information, see "Self-directed RRSP" on page 9.

### Property from an RRSP

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

- your unmaturing RRSP;

- your matured RRSP, 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 or former 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 written separation agreement; and
  - to settle rights arising out of your relationship on or after the breakdown of your relationship.

In addition, you can contribute to your RRIF certain amounts you receive or are considered to have received from the deceased annuitant's RRSP in the following situations:

- 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.

For more information, get Form T2019, *Death of an RRSP Annuitant – Refund of Premiums*.

## RPP payments

You can contribute to your RRIF by directly transferring a lump-sum payment 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 relationship on or after the breakdown of your relationship.

### 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 information, see "Direct transfer of an excess RPP lump-sum payment" on page 23.

## Property from another RRIF

You can contribute to your RRIF by directly transferring property 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 written separation agreement; and
  - to settle rights arising out of your relationship on or after the breakdown of your relationship.

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, you can contribute to your RRIF certain amounts you receive or are considered to have received from the deceased annuitant's RRIF. For more information, get Form T1090, *Death of a RRIF Annuitant – Designated Benefit*.

## Saskatchewan Pension Plan (SPP) payments

You can contribute to your RRIF by directly transferring a lump-sum payment 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 written separation agreement; and
  - to settle rights arising out of your marriage or relationship on or after the breakdown of your relationship.

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

## Chapter 4 – Payments From an RRSP or a RRIF

If you have an RRSP or a RRIF, you generally have a certain amount of flexibility on the types of payments you can receive from these plans.

This chapter contains information on amounts you can receive or that we consider you to receive from your RRSPs, RRIFs, or from a deceased individual's RRSPs or RRIFs. It also provides information on spousal RRSPs and RRIFs.

If you receive an amount from an RPP or a DPSP, see lines 115 or 130 in your income tax guide.

### Chart 1 – Amounts from your RRSP or RRIF

- Report your RRSP income on line 129 of your return, and any tax deducted (box 30 of the T4RSP slip) on line 437 of your return.
- Report your RRIF income on line 115 of your return if you were 65 or older on December 31, 1997. In all other cases, report your RRIF income on line 130 of your return. For more information, see line 115 in your income tax guide. In all cases, claim any tax deducted (box 28 of the T4RIF slip) on line 437 of your return.

Description of amount	Information slip and box number	Will tax be withheld?
<p><b>Withdrawal from an RRSP</b> – You can withdraw amounts from your RRSP before it starts to pay you a retirement income. If your spouse contributed to your RRSP, see Note 1 below.</p> <p>You can withdraw undeducted contributions you made to an RRSP based on an approved Form T3012A, <i>Tax Deduction Waiver on the Refund of Your Undeducted RRSP Contributions Made in 19__</i>. If you transferred the undeducted contributions to your RRIF, see Note 2 below.</p>	<p>T4RSP – Box 22</p> <p>T4RSP – Box 20</p>	<p>Yes</p> <p>No</p>
<p><b>Annuity payments from an RRSP</b> – When an RRSP matures, you can draw an annuity from that RRSP. You have to include the payments in your income. If you receive the annuity payments because your spouse died, or you if were 65 or older on December 31, 1997, the payments qualify for the pension income amount. In addition to receiving a retirement income out of your RRSP, you can also choose to transfer the property to a RRIF or to buy yourself an eligible annuity. The value of all the property the plan holds is included in your income, unless you draw an annuity from the matured RRSP, use the RRSP to buy yourself an eligible annuity, or transfer the funds to a RRIF. For more information, see line 314 in your income tax guide.</p>	T4RSP – Box 16	No
<p><b>Commutation payments from an RRSP</b> – 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 spouse contributed to your RRSP, see Note 1 below.</p>	T4RSP – Box 22	Yes
<p><b>Minimum amount from a RRIF</b> – 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 payment 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.</p>	T4RIF – Box 16	No
<p><b>Excess amount from a RRIF</b> – 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. Under certain circumstances, you can directly transfer the excess amount from a RRIF. For more information, see "Excess amount from a RRIF" on page 22. The excess amount from a RRIF appears in box 24 for information purposes only. Only include the amount in box 16 on your return. If you receive the excess amount from a spousal RRIF, see Note 1 below.</p>	T4RIF – Box 16	Yes
<p><b>Amounts deemed received on deregistration of an RRSP or RRIF</b> – If in 1997, 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. If it is now an amended plan or fund. In such a case, we consider you to have received in 1997 an amount that equals the fair market value of all the property the plan or fund held at the time it ceased being an RRSP or RRIF. If the plan or fund is a spousal RRSP or RRIF, see Note 1 below.</p>	<p>T4RSP – Box 26</p> <p>T4RIF – Box 20</p>	Note 3
<p><b>Other income and deductions from an RRSP or RRIF</b> – You may have to include other RRSP or RRIF amounts in your income, or you may be able to deduct other amounts for 1997. This applies if in 1997 your RRSP or RRIF trust acquired or disposed of a non-qualified investment; trust property was used as security for a loan; trust property was sold for an amount less than its fair market value; or the trust acquired property for an amount more than its fair market value. If the amount in box 28 of your T4RSP slip or in box 22 of your T4RIF slip appears in brackets (negative amount), claim it on line 232 of your return.</p>	<p>T4RSP – Box 28</p> <p>T4RIF – Box 22</p>	Yes
<p><b>Note 1</b> If the RRSP from which you receive the withdrawal or commutation payment in 1997 is a spousal RRSP, and your spouse contributed amounts to any of your RRSPs in 1995, 1996, or 1997, your spouse may have to include in income all or part of the amount received. For more information, see "Amounts from a spousal RRSP or RRIF" on page 19.</p> <p><b>Note 2</b> 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. Claim this deduction on line 232 of your return. For more information, see "Undeducted RRSP contributions" on page 13.</p> <p>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 transferred those funds from such an RRSP to a RRIF and then withdraw them, contact your tax services office for details on reporting this income and claiming a deduction.</p> <p><b>Note 3</b> Tax will be withheld only if the amount is paid in the year of deregistration.</p>		



**Chart 2 – Amounts from a deceased annuitant's RRSP**

In all cases, tax will not be withheld. Report the amount on line 129 of the return.

Description of amount	T4RSP box number	Slip issued in the name of and to be reported by:
<b>Payments from a matured RRSP</b>		
<b>If the surviving spouse is:</b>		
<ul style="list-style-type: none"> <li>■ <b>the beneficiary of the RRSP</b>, as specified in the RRSP contract, the remaining annuity payments under the RRSP become payable to the annuitant's surviving spouse and the spouse will begin to receive the annuity payments;</li> <li>■ <b>the beneficiary of the estate</b>, the spouse and legal representative can jointly elect in writing to treat amounts the RRSP paid to the estate as being paid to the spouse. The surviving spouse must attach a copy of the written election to his or her return. The election has to specify that the surviving spouse is electing to become the annuitant of the RRSP. If such an election is made, no T4RSP slip will be issued in the name of the estate even if the estate received the amounts.</li> </ul>	16	surviving spouse
<p><b>For all other beneficiaries</b> – Annuity payments from an RRSP registered after June 29, 1978, that are to be paid to a beneficiary other than the RRSP annuitant's surviving spouse have to be commuted. This commutation payment is not taxable in the beneficiary's hands.</p> <p>The amount reported on the deceased annuitant's final return may be reduced if the deceased annuitant had no spouse at the time of death, you are a financially dependent child or grandchild of the deceased annuitant, and an amount is paid from the matured RRSP to you or to the estate of which you are a beneficiary. For more information, get Form T2019, <i>Death of an RRSP Annuitant – Refund of Premiums</i>. Form T2019 also explains your options to transfer income on a tax-free basis.</p>	34	deceased annuitant
An RRSP may earn income after death that the beneficiary receives either directly or from the estate.	28	beneficiary
An RRSP may earn income after death that the estate receives and does not pay to a beneficiary.	28	estate
<b>Payments from an unmatured RRSP</b>		
<p><b>Transfer to the surviving spouse</b> – If all of the property the RRSP held is paid (as specified in the RRSP contract) to you as the deceased annuitant's spouse, and that payment is transferred to your RRSP, claim a deduction equal to the amount transferred to your RRSP on line 208 of your return. If the amount is transferred to your RRIF or to an issuer to buy yourself an eligible annuity, claim a deduction equal to the amount transferred on line 232 of your return.</p>	18	surviving spouse
<p><b>For all other situations</b> – If all of the property the RRSP held is not paid to the deceased annuitant's spouse, the fair market value of the property the RRSP held at the time of death is included in the deceased annuitant's income for the year of death.</p> <p>The amount reported on the deceased annuitant's final return may be reduced if:</p> <ul style="list-style-type: none"> <li>■ you were the spouse of the annuitant at the time of death and you are entitled to receive amounts from the estate that it received from the unmatured RRSP; or</li> <li>■ the deceased annuitant had no spouse at the time of death, you are a financially dependent child or grandchild of the deceased annuitant, and an amount is paid from the matured RRSP to you or to the estate of which you are a beneficiary.</li> </ul> <p>In either case, get Form T2019, <i>Death of an RRSP Annuitant – Refund of Premiums</i>, to help you calculate the amount by which you can reduce the deceased annuitant's income. Form T2019 also explains your options to transfer this income tax free.</p>	34	deceased annuitant
An RRSP may earn income after death that the beneficiary receives either directly or from the estate.	28	beneficiary
An RRSP may earn income after death that the estate receives and does not pay to a beneficiary.	28	estate

**Chart 3 – Amounts from a deceased annuitant's RRIF**

- In all cases, tax will not be withheld.
- If you were 65 or older on December 31, 1997, or if you received the payments because your spouse died, report these payments on line 115 of your return. In all other cases, report the payments on line 130 of your return.

Description of amount	T4RRIF box number	Slip issued in the name of and to be reported by:
<p><b>Spouse is designated as the new annuitant</b> – If the RRIF annuitant made a written election in the RRIF contract or in the will to have the RRIF payments continue to the spouse after death, the surviving spouse becomes the annuitant after death and will begin to get the RRIF payments as the new annuitant.</p> <p>The spouse can become the annuitant of the RRIF after the deceased 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 spouse becoming the annuitant, and if the RRIF carrier agrees to continue the payments under the deceased annuitant's RRIF to the surviving spouse.</p>	16	surviving spouse
<p><b>Spouse is designated as beneficiary of the RRIF</b> – If all of the property the RRIF held is paid (as specified in the RRIF contract) to you as the deceased annuitant's spouse, include in your income the amount that appears in box 16. You may then transfer an amount up to the amount appearing in box 24 to your RRSP, your RRIF, or to buy an eligible annuity for yourself. If you transfer an amount to your RRSP, claim a deduction equal to the amount transferred to your RRSP on line 208 of your return. If you transfer an amount to your RRIF or to an issuer to buy an eligible annuity, claim a deduction equal to the amount you transfer on line 232 of your return.</p>	16 and 24	surviving spouse
<p><b>For all other situations</b> – If the last annuitant under a RRIF dies and the surviving spouse is not designated as a new annuitant or beneficiary of the RRIF, include on line 130 of the deceased annuitant's final return the fair market value of the property the RRIF held at the time of death.</p> <p>The amount reported on the deceased annuitant's final return can be reduced if either of the following conditions applies.</p> <ul style="list-style-type: none"> <li>■ You were the spouse of the annuitant at the time of death and you are entitled to receive amounts from the estate that were received from the RRIF.</li> <li>■ The deceased annuitant had no spouse at the time of death, you are a financially dependent child or grandchild of the deceased annuitant, and an amount is paid from the RRIF to you or to the estate of which you are a beneficiary.</li> </ul> <p>In either case, get Form T1090, <i>Death of a RRIF Annuitant – Designated Benefit</i>, to help you calculate the amount by which the deceased annuitant's income can be reduced. Form T1090 also explains your options to transfer this income on a tax-free basis.</p>	18	deceased annuitant's final return
<p>A RRIF may earn income after death that the beneficiary receives either directly or from the estate.</p>	22	beneficiary
<p>A RRIF may earn income after death that the estate receives and does not pay to a beneficiary.</p>	22	estate

**Locked-in RRSPs**

A locked-in RRSP is a plan containing funds transferred from a registered pension plan (RPP) for a member of the RPP. Under the pension laws of certain provinces, locked-in RRSPs are sometimes called locked-in retirement accounts (LIRAs). This means that the member cannot receive the 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 called life income funds (LIFs).

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

**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 have a locked-in interest rate for the term of the certificate.

## 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;
- that received payments or transfers of property from your RRSPs to which your spouse had contributed; or
- 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; or
- a RRIF that received payments or transfers 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 1995, 1996, or 1997, you may have to include in your 1997 income all or part of:

- the amounts your spouse received in 1997 from any of his or her unmatured spousal RRSPs;
- the commutation payments your spouse received in 1997 from any of his or her matured spousal RRSPs;
- the amounts we consider your spouse to have received in 1997 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 1997 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) should 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, you (the contributor) will probably have to include in your income the funds your spouse (the annuitant) withdraws.

#### Example

In May 1995, Joshua started contributing to his wife Keri's RRSP. He contributed the following amounts to her RRSP:

Year	Amount
1995	\$2,000
1996	2,000
1997	<u>1,000</u>
Total	<u>\$5,000</u>

In 1997, Keri withdrew \$4,000 from her spousal RRSP. Before 1997, she had not withdrawn any amounts from her spousal RRSP.

Keri determined that Joshua has to include \$4,000 in his income on line 129 of his 1997 return, since the amount Joshua has to include as income is the lesser of:

- the amounts he contributed to all spousal RRSPs for his wife in 1995, 1996, and 1997 (\$5,000); and
- the amount his wife withdrew from her spousal RRSP in 1997 (\$4,000).

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

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

- At the time of payment or deemed receipt, you and your spouse were living separate and apart because of the breakdown of your relationship.
- At the time of payment or deemed receipt, you or your spouse were 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.
- We consider the deceased annuitant to have received the amount because of death.

In any such case, the annuitant spouse includes the payment in income for the year he or she receives it or is considered to have received it.

**Tax deducted** – In all cases, the tax deducted has to be claimed by the individual to whom the slip is issued. In most cases, the information slip issued for the withdrawal will be in the name of the annuitant. However, report the income according to the calculations completed in Areas 1 and 2 of Form T2205.

## 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 yourself an eligible annuity.

You have to transfer certain payments 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 three charts in this chapter list the most common types of payments that you can transfer and the types of plans or funds to which you can transfer them. Chart 1 covers payments that you can transfer either directly or indirectly. Chart 2 covers payments that you have to transfer directly, while Chart 3 covers payments that you transfer because of the breakdown of your relationship.

### Note

If you are a non-resident of Canada, get Form NRTA1, *Authorization for Non-Resident Tax Exemption*, for more information on transfers.

## Other transfers

Depending on the source of income, the following payments can also be transferred to your RPP, RRSP, or RRIF:

- lump-sum payments from a non-registered pension plan; \*
- eligible pension income from an estate or a testamentary trust; \*
- amounts received from foreign retirement arrangements, such as American individual retirement accounts IRAs; \* or
- excess amounts from a RRIF if the annuitant died before 1993.

\* These amounts can be subject to minimum tax. For more information, see "Minimum tax" on this page.

For more information on these types of transfers, get Interpretation Bulletin IT-500, *Registered Retirement Savings Plans – Death of an Annuitant*, or IT-528, *Transfers of Funds Between Registered Plans*. For information on how to report the income, see your income tax guide.

## Minimum tax

Minimum tax limits the tax advantage you can have in a year when you receive certain kinds of income or claim certain credits and deductions, such as transfers or contributions of retiring allowances to your RRSP. It ensures that your tax liability reflects the amount of income you earn in the year.

If you receive certain kinds of income or claim certain deductions and credits, we add these amounts to your income to get an adjusted taxable income. After allowing for an exemption of \$40,000, we calculate your federal tax based on that adjusted taxable income. If the tax based on your adjusted taxable income is more than the tax you would normally pay, you have to pay minimum tax.

For example, if you deducted more than \$40,000 for the transfer of a retiring allowance, your income will probably be subject to minimum tax.

To determine if you have to pay this tax, get Form T691, *Calculation of Minimum Tax*.

### Note

Minimum tax does not apply to returns filed on behalf of a deceased individual for the year of death.

**Chart 1 – Payments that you can transfer directly or indirectly**

- To be deductible, you have to make the contributions to the plan or fund in the year you receive the payment, or no later than 60 days after the end of that year.
- If you transfer the funds to an RRSP in 1997, you have to be under 72 at the end of the year in which you transfer the funds. If you transfer the funds in the first 60 days of 1998 or after, you must be under 70 at the end of 1998. You also have to file with your 1997 return a completed Schedule 7, *RRSP Contributions, Transfers, and Designations of Repayments Under the Home Buyers' Plan*. If you did not receive a Schedule 7 in your income tax package, you can get a copy from any tax services office or postal outlet.

Type of payment	Can be transferred to your:				Instructions
	RPP	RRSP	RRIF	Annuity	
<b>Retiring allowance</b>	Yes	Yes	No	No	<ul style="list-style-type: none"> <li>■ A retiring allowance is an amount you receive on or after your retirement, or your dismissal from an office or employment in recognition of long service. It includes payment for unused sick leave, and amounts you receive for loss of office or employment, whether as a payment of damages or a payment under an order or judgment of a tribunal.</li> <li>■ You can only transfer the eligible part of your retiring allowance to your RPP or RRSP. The eligible part is \$2,000 for each year or part-year of service that was before 1996 that you were employed by the employer or a person related to that employer from whom you received the retiring allowance. You can also transfer an extra \$1,500 for each year or part-year of service that was before 1989, as long as you were not entitled to receive any benefits you earned under a pension plan or DPSP from contributions your employer made for each such year.</li> <li>■ The footnotes area of your T4A slip indicates the part of the retiring allowance in box 26 of your T4A slip that is <b>not eligible</b>. On a T3 slip, the <b>eligible</b> part of a retiring allowance appears in box 36.</li> <li>■ 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 you transfer to your RPP on line 207 of your return. Claim a deduction for the amount you transfer to your RRSP on line 208 of your return. Indicate the amount of the transfer on line 240 of Schedule 7.</li> <li>■ If you transfer the amount to your RPP, you may have a pension adjustment (PA). For more information, contact your plan administrator.</li> </ul> <p><b>Notes</b></p> <ul style="list-style-type: none"> <li>■ There is no tax withheld if your employer transfers directly the eligible part of your retiring allowance.</li> <li>■ Transfers of retiring allowances may result in minimum tax. For more information, see "Minimum tax" on page 20.</li> </ul>
<b>Amounts paid from an RRSP or RRIF upon death of the annuitant</b>	No	Yes	Yes	Yes	<p><b>Deaths in 1993 or later years</b> – 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, by reason of a physical or mental infirmity, a financially dependent child or grandchild of the deceased annuitant you can transfer tax-free certain amounts paid from the deceased annuitant's RRSP or RRIF. Certain restrictions may limit the amount you can transfer tax-free if you are not financially dependant because of a physical or mental infirmity. Form T1090, <i>Death of a RRIF Annuitant – Designated Benefit</i>, and Form T2019, <i>Death of an RRSP Annuitant – Refund of Premiums</i>, explain the conditions for these transfers. There is no tax withheld at source on these payments. For additional details, see "Amounts from a deceased's annuitant RRSP" on page 17 or "Amounts from a deceased's annuitant RRIF" on page 18.</p>

### Chart 2 – Payments that you have to transfer directly

- If you receive any of the types of payments listed below (e.g., in cash or by cheque), you have to include them in your income for the year you receive them, and the opportunity to transfer them tax-free is not available. Therefore, if you want to transfer these amounts tax-free to another registered plan or fund, make sure you inform the payer to transfer them directly.
- If you transfer the amount to your RRSP in 1997, you must be under 72 at the end of 1997. If you transfer the funds in 1998 or after, you must be under 70 at the end of the year you make the transfer.

Type of payment	Can be transferred to your:				Instructions	Form *
	RPP	RRSP	RRIF	Annuity		
RPP lump sum	Yes	Yes	Yes	No	<ul style="list-style-type: none"> <li>■ 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.</li> <li>■ Do not claim a deduction for the amount you transfer, and do not report any amount on your return.</li> <li>■ If you transfer an excess RPP lump-sum payment, see "Direct transfer of an excess RPP lump-sum payment" on page 23.</li> </ul>	T2151 **
DPSP lump sum	Yes	Yes	No	No	<ul style="list-style-type: none"> <li>■ 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.</li> <li>■ You can also transfer this amount to another DPSP.</li> <li>■ Do not claim a deduction for the amount you transfer, and do not report any amount on your return.</li> <li>■ Get Interpretation Bulletin IT-281, <i>Elections on Single Payments From a Deferred Profit-Sharing Plan</i>, for exceptions to the direct transfer requirement, and other rules on DPSP lump sums.</li> </ul>	T2151 **
RRSP commutation payment	No	Yes	Yes	Yes	<ul style="list-style-type: none"> <li>■ The commutation payment is shown in box 22 of your T4RSP slip. Report it on line 129 of your return.</li> <li>■ If you transfer the amount to your RRSP, claim a deduction for the amount you transfer on line 208 of your return. If you transfer the amount to your RRIF or to an issuer to buy an eligible annuity, claim a deduction for the amount you transfer on line 232.</li> <li>■ Attach official receipts to your return showing the amount transferred.</li> </ul>	T2030
Property from an unmatured RRSP	Yes	Yes	Yes	No	<ul style="list-style-type: none"> <li>■ This is a payment you receive from an RRSP that has not yet started to pay you retirement income.</li> <li>■ Do not claim a deduction for the amount you transfer, and do not report any amount on your return.</li> </ul>	T2033 **
Property from a RRIF	No	No	Yes	No	<ul style="list-style-type: none"> <li>■ This is an amount you transfer from one of your RRIFs to another of your RRIFs.</li> <li>■ Do not claim a deduction for the amount you transfer, and do not report any amount on your return.</li> </ul>	T2033
Excess amount from a RRIF	No	Yes	Yes	Yes	<ul style="list-style-type: none"> <li>■ The excess amount appears in box 24 of your T4RIF slip. The excess amount is also included in the total in box 16 of the same T4RIF slip. Report the total amount in box 16 on your return.</li> <li>■ See line 115 of your income tax guide for details on how to report this income.</li> <li>■ If you transfer the excess amount to your RRSP, claim a deduction for the amount you transfer on line 208 of your return. If you transfer the excess amount to your RRIF or to an issuer to buy an eligible annuity, claim a deduction for the amount you transfer on line 232.</li> </ul>	T2030
Saskatchewan Pension Plan (SPP) lump-sum payment	No	Yes	Yes	Yes	<ul style="list-style-type: none"> <li>■ 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.</li> <li>■ Do not claim a deduction for the amount you transfer, and do not report any amount on your return.</li> </ul>	

\* You can find the form titles on page 26.

\*\* You **do not** have to use this form to make the transfer.

### Chart 3 – Payments that you transfer directly because of the breakdown of your relationship

- In all cases, the transfer must be direct. If you receive any of the types of payments listed below (e.g., in cash or by cheque), you have to include them in your income for the year you received them, and the opportunity to transfer them tax free is not available. Therefore, if you want to transfer these amounts to another registered plan or fund, make sure you inform the payer to transfer them 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 relationship.
- If you transfer the amount to your RRSP in 1997, you must be under 72 at the end of 1997. If you transfer the funds in 1998 or after, you must be under 70 at the end of the year you make the transfer.

Type of payment	Can be transferred to your:				Instructions	Form *
	RPP	RRSP	RRIF	Annuity		
RPP lump-sum payment	Yes	Yes	Yes	No	<ul style="list-style-type: none"> <li>■ Do not claim a deduction for the amount you transfer, and do not report any amount on your return.</li> </ul>	T2151
Property from an unmaturred RRSP	No	Yes **	Yes	No	<ul style="list-style-type: none"> <li>■ You and your spouse have to be living separate and apart at the time of the transfer because of the breakdown of your relationship.</li> <li>■ Do not claim a deduction for the amount you transfer, and do not report any amount on your return.</li> </ul>	T2220
Property from a RRIF	No	Yes	Yes	No	<ul style="list-style-type: none"> <li>■ Do not claim a deduction for the amount you transfer, and do not report any amount on your return.</li> </ul>	T2220
Saskatchewan Pension Plan lump-sum payment	No	Yes	Yes	Yes	<ul style="list-style-type: none"> <li>■ You and your spouse have to be living separate and apart at the time of the transfer because of the breakdown of your relationship.</li> <li>■ Do not claim a deduction for the amount you transfer, and do not report any amount on your return.</li> </ul>	

\* You can find the form titles on page 26.

\*\* You and the RRSP issuer **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 transfer an RPP lump-sum payment 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 you can transfer directly to such registered plans or funds without having to include an amount in your income. If the amount you transfer 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 you made the excess transfer to your RRSP for 1997, we consider you to have contributed it to the RRSP in the year in which you transfer it. Even if the excess transfer is made to your RRIF, we still consider you to have contributed it to your RRSP. In both cases, 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 you made the transfer. If you cannot deduct the contributions 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.

#### Note

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 information, see "Tax on overcontributions" on page 13.

**Withdrawal from an RRSP or RRIF** – If you withdraw funds from an RRSP or RRIF in 1997 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 you previously did not deduct 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.

## Chapter 6 – PAs, PARs, and 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 your PA is calculated or why you have a PA, contact your employer or plan administrator.

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

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?

Your employer usually has to report a PA for you whether you get an immediate right to the benefits or pension you earn, or your right arises 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 1997 appears in box 52 of your 1997 T4 slip or in box 34 of your 1997 T4A slip. If you worked for more than one employer in 1997 and each employer sponsors their own RPP or DPSP, you may have more than one PA for 1997. Enter the total of your 1997 PAs on your 1997 T4 or T4A slips on line 206 of your 1997 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 1997 RRSP deduction limit" on page 10.

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

### Pension Adjustment Reversals (PARs)

Under proposed changes, for 1997 and after, a Pension Adjustment Reversal (PAR) will be introduced to restore the reduction of your RRSP deduction limit if you earn benefits under an RPP or DPSP and leave your plan before retirement. A PAR will be calculated if you terminate membership in your registered pension plan (RPP) or deferred profit sharing plan (DPSP) and if the amount you receive from the plan is less than the total of pension adjustments and past service pension adjustments that you previously reported.

Although the application of PAR rules begins in 1997, the reporting will be deferred to the end of 1998 to allow time for plan administrators and trustees to adjust to these new requirements. PAR amounts arising in 1997 or 1998 will be added to your 1998 RRSP deduction limit. After 1998, a PAR amount arising in a taxation year will be added to that year's RRSP deduction limit. Your PAR will be reported on a separate information slip.

### Past-service pension adjustments (PSPAs)

The following is an overview of PSPAs. If you have questions about how your PSPA is calculated or why you have a PSPA, contact your employer or plan administrator.

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 and 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 1997 RRSP deduction limit" on page 10.

### 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. In this case, 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 unmaturing RRSP, a money-purchase provision of an RPP, or 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 you transfer will reduce the PSPA amount 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. 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 whether each PSPA is exempt or certifiable.

**Exempt PSPAs** – Exempt PSPAs usually occur when all or almost all plan members receive past-service benefit upgrades. 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 buy a period of past service that is pensionable past service under your RPP.

We have to certify most PSPAs that are more than zero and do not meet the conditions for exemption outlined under “Exempt PSPAs” above. 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 we can certify, 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, which you use to designate a qualifying withdrawal.

## Net PSPA

Your net PSPA for 1997 reduces the amount of RRSP contributions you can deduct for 1997. Your 1997 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).

For 1996 and following years, your RRSP deduction limit may be reduced by the net PSPA or similar amount for the year if you participated in a foreign plan, or a specified retirement arrangement, and your past-service benefit accruing under the plan was increased.

You can find your 1997 RRSP deduction limit on your latest *Notice of Assessment* or *Notice of Reassessment*. If you receive a 1997 T215 slip or a certified Form T1004 after we send you your notice, we may reduce your 1997 RRSP deduction limit. In such a case, we will usually send you Form T1028, *Your RRSP Deduction Limit Statement for 1997*, and give you your revised 1997 RRSP deduction limit when we have updated our records. If you do not receive Form T1028 and you want to confirm your 1997 RRSP deduction limit, contact your tax services office.

## References

The following forms and publications are available from any tax services office or tax centre. Many of our publications are available on the Internet at the following address:

<http://www.rc.gc.ca>

### Forms

NRTA1	<i>Authorization for Non-Resident Tax Exemption</i>
T1-OVP	<i>1997 Individual Income Tax Return for RRSP Excess Contributions</i>
T1-OVP Schedule	<i>Calculating the Amount of RRSP Excess Contributions Made before 1991 that Are Subject to Tax</i>
T746	<i>Calculating Your Deduction for Refund of Undeducted RRSP Contributions</i>
T1004	<i>Applying for the Certification of a Provisional PSPA</i>
T1006	<i>Designating an RRSP Withdrawal as a Qualifying Withdrawal</i>
T1007	<i>Connected Person Information Return</i>
T1043	<i>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</i>
T1090	<i>Death of a RRIF Annuitant – Designated Benefit</i>
T2019	<i>Death of an RRSP Annuitant – Refund of Premiums</i>
T2030	<i>Direct Transfer Under Subparagraph 60(l)(v)</i>
T2033	<i>Direct Transfer Under Paragraph 146(16)(a) or 146.3(2)(e)</i>
T2078	<i>Election Under Subsection 147(10.1) in Respect of a Single Payment Received From a Deferred Profit Sharing Plan</i>
T2151	<i>Direct Transfer of a Single Amount Under Subsection 147(19) or Section 147.3</i>
T2205	<i>Calculating Amounts From a Spousal RRSP or RRIF to Include in Income for 19__</i>
T2220	<i>Transfer From an RRSP or a RRIF to Another RRSP or RRIF on Marriage Breakdown</i>
T3012A	<i>Tax Deduction Waiver on the Refund of Your Undeducted RRSP Contributions Made in 19__</i>

### Information circulars

72-22	<i>Registered Retirement Savings Plans</i>
77-1	<i>Deferred Profit-Sharing Plans</i>
78-18	<i>Registered Retirement Income Funds</i>

### Interpretation bulletins

IT-124	<i>Contributions to Registered Retirement Savings Plans</i>
IT-167	<i>Registered Pension Plans – Employee’s Contributions</i>
IT-221	<i>Determination of an Individual’s Residence Status</i>
IT-281	<i>Elections on Single Payments From a Deferred Profit-Sharing Plan</i>
IT-320	<i>Registered Retirement Savings Plans – Qualified Investments</i>
IT-337	<i>Retiring Allowances</i>
IT-363	<i>Deferred Profit Sharing Plans – Deductibility of Employer Contributions and Taxation of Amounts Received by a Beneficiary</i>
IT-412	<i>Foreign Property of Registered Plans</i>
IT-499	<i>Superannuation or Pension Benefits</i>
IT-500	<i>Registered Retirement Savings Plans – Death of an Annuitant</i>
IT-528	<i>Transfers of Funds Between Registered Plans</i>

### Pamphlets

*Home Buyers’ Plan (HBP) – For 1997 Participants*  
*Home Buyers’ Plan (HBP) – For 1998 Participants*