

Death of an RRSP Annuitant

This information sheet contains general information about the taxation of amounts held in a registered retirement savings plan (RRSP) at the time the annuitant died and the taxation of amounts paid out of an RRSP because the annuitant died. It explains how these amounts are generally reported, and the options that are available to the deceased annuitant's legal representative and the qualified beneficiaries to reduce or defer the tax liability resulting from the annuitant's death.

Slips issued by the RRSP issuer

The following chart shows how the RRSP issuer generally prepares the slips used to report the amounts paid from a deceased annuitant's RRSP.

Chart 1 – How the RRSP issuer prepares the slips used to report the amounts paid from a deceased annuitant's RRSP			
Period	Day the annuitant died	From the day following the day the annuitant died to December 31 of the year after the year of death	From January 1 of the year following the period described in the previous column to the date the RRSP property is distributed
Amount	Fair market value of the RRSP	Income earned in the plan during the period	Income earned in the plan during the period
How the amount is generally reported by the RRSP issuer	The annuitant is considered to have received this amount at the time of death, so the amount reported in box 34 of a T4RSP slip is issued in the name of the annuitant for the year of death. This slip also shows any other amounts the annuitant received in the year.	Unmatured RRSP: <ul style="list-style-type: none"> ■ If the annuitant's spouse or common-law partner is named as a beneficiary in the RRSP contract, income paid to that beneficiary is reported in box 18 of a T4RSP slip issued in his or her name, for the year of payment. ■ For all other beneficiaries named in the RRSP contract or the annuitant's estate (if no beneficiary is named), income paid is reported in box 28 of a T4RSP slip issued to each beneficiary or the estate, for the year of payment. 	Depository RRSP – Income is paid to the beneficiaries named in the RRSP contract or the annuitant's estate (if no beneficiary is named) and reported in box 13 of a T5 slip issued to each beneficiary or the estate, for the year of payment.
		Matured RRSP: <ul style="list-style-type: none"> ■ Income is paid to the beneficiaries named in the RRSP contract or the annuitant's estate (if no beneficiary is named) and reported in box 28 of a T4RSP slip issued to each beneficiary or the estate, for the year of payment. 	Trusteed RRSP – Income is paid to the beneficiaries named in the RRSP contract or the annuitant's estate (if no beneficiary is named) and reported in boxes 28 and 40 of a T4RSP slip issued to each beneficiary or the estate, for the year of payment.*
			Insured RRSP – Income is paid to the beneficiaries named in the RRSP contract or the annuitant's estate (if no beneficiary is named) and reported in the same way as in the previous period.

The shaded areas represent amounts that qualify as a **refund of premiums** if received by a **qualified beneficiary** (see the definitions on pages 2 and 3). If you do not know the type of RRSP the annuitant has, or need a breakdown of the amount reported in box 28, contact the plan issuer.

*Only the part of the income earned in this period that is not taxable to the RRSP trust is reported to the beneficiary. A beneficiary will not have to pay tax on any part of the amount he or she receives, to the extent that the funds can reasonably be regarded as having been included in the RRSP trust's income.

Unmatured RRSP

An unmaturing RRSP is an RRSP that has not yet started to pay a retirement income. Chart 1 above shows how the RRSP issuer usually prepares the slips that report the amounts paid out of a deceased annuitant's unmaturing RRSP.

General rule – deceased annuitant

When the annuitant of an unmaturing RRSP dies, he or she is considered to have received, immediately before death, an amount equal to the fair market value of all the property

held in his/her RRSP at the time of death. This amount, and all other amounts the annuitant received from the RRSP during the year have to be reported on the annuitant's return for the year of death.

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A beneficiary will not have to pay tax on any payment made out of the RRSP if it can reasonably be regarded as having been included in the annuitant's income.

Exception (spouse or common-law partner is the sole beneficiary of the RRSP) – The deceased annuitant is **not** considered to have received an amount from the RRSP at the time of death if the annuitant had a spouse or common-law partner when he or she died and **both** the following conditions are met:

- the spouse or common-law partner is named in the RRSP contract as the **sole** beneficiary of the RRSP; and **before** December 31 of the year after the year of death, the spouse or common-law partner tells the RRSP issuer to transfer, **all** the RRSP property directly to an eligible registered plan or fund, or to an issuer to buy an eligible annuity. For information on transfers, see “Qualified beneficiaries – transfers” on page 3.

If these conditions are met, only the spouse or common-law partner will receive a T4RSP slip. The transferred amount will be shown in box 18 of the slip. This amount has to be reported on line 129 of the spouse's or common-law partner's return for the year the transfer was made. The spouse or common-law partner will receive an official receipt for the amount that was transferred. For information on how to claim a deduction for the transfer, see “Qualified beneficiaries – transfers” on page 3.

General rule – beneficiaries of the RRSP

Amounts paid from the RRSP that represent the income earned in the RRSP after the date the annuitant died have to be reported by the beneficiaries named in the RRSP contract or by the annuitant's estate (if no beneficiary is named). These payments have to be included in the income of the beneficiaries or the estate for the year they are received.

Optional reporting

Read this section if the exception described in the section called “General rule – deceased annuitant” on page 1 does not apply.

If a qualified beneficiary (see below) **receives** an amount from a deceased annuitant's unmatured RRSP and that amount qualifies as a refund of premiums (see below), the annuitant's legal representative can claim a reduction of the amount the annuitant is considered to have received at the time of death. The reduction, which is determined by completing Chart 2 on page 4, allows for a redistribution of the annuitant's income to the qualified beneficiary who actually received it. This redistribution of income allows the legal representative and the qualified beneficiary to arrange their affairs, resulting from the death of the annuitant, in such a way as to pay the least amount of tax the law allows.

If none of the payments out of the RRSP are made to a qualified beneficiary or designated as a refund of premiums, the amount the annuitant is considered to have received at the time of death cannot be reduced.

For purposes of an unmatured RRSP, a **qualified beneficiary** includes the deceased annuitant's spouse or

common-law partner and a financially dependent child or grandchild if the annuitant died:

- in 1999 or later;
- in 1998, and the annuitant had no spouse or common-law partner at the time of death;
- in 1998, the annuitant had a spouse or common-law partner at the time of death, **and** an election was filed to treat the child or grandchild as a qualified beneficiary (for more information on this election, visit our Web site at www.cra.gc.ca, or contact us at **1-800-959-8281**);
- in 1996 or 1997, the annuitant had a spouse at the time of death, **and** an election was filed to treat the child or grandchild as a qualified beneficiary (for more information on this election, visit our Web site at www.cra.gc.ca, or contact us at **1-800-959-8281**); or
- from 1993 to 1997, and the annuitant had no spouse at the time of death.

A **refund of premiums** out of an unmatured RRSP includes any of the amounts shown in the shaded areas of Chart 1 on page 1 if paid to a qualified beneficiary. If these amounts are paid to the annuitant's estate, they will qualify as a refund of premiums if the following conditions are met:

- there is a qualified beneficiary who is a beneficiary of the annuitant's estate; and
- the annuitant's legal representative and the qualified beneficiary jointly file Form T2019, *Death of an RRSP Annuitant – Refund of Premiums*, to designate all or part of the amounts paid to the estate as a refund of premiums received by the qualified beneficiary.

Matured RRSP

A matured RRSP is an RRSP that is paying a retirement income. Chart 1 on page 1 shows how the RRSP issuer usually prepares the slips that report the amounts paid out of a deceased annuitant's matured RRSP.

General rule – deceased annuitant

When the annuitant of a matured RRSP dies, the annuitant is considered to have received, immediately before death, an amount equal to the fair market value (FMV) of all remaining annuity payments under the RRSP at the time of death. This amount, and every other amount the annuitant received in the year from the RRSP, have to be reported on the annuitant's return for the year of death. A beneficiary will not have to pay tax on any payment made out of the RRSP, if it can reasonably be regarded as having been included in the annuitant's income.

Exception (spouse or common-law partner is the sole beneficiary of the RRSP) – If, in the RRSP contract, the deceased annuitant named his or her spouse or common-law partner as the sole beneficiary of the RRSP, the annuitant is not considered to have received an amount from the RRSP at the time of death. In this situation, the RRSP continues and the spouse or common-law partner becomes the successor annuitant under the plan. All annuity payments made after the date the annuitant died become payable to that successor annuitant. A T4RSP slip will be issued to the successor annuitant for the year of

death and in future years. The slip will show the annuity payments he or she received in box 16. The successor annuitant has to report the annuity payments on line 129 of his or her return for the year he or she receives them.

If, in the RRSP contract, the annuitant named his or her **spouse or common-law partner** and **someone else** as beneficiaries of the RRSP, the spouse or common-law partner becomes the successor annuitant of the part of the remaining annuity payments that represents his or her share of the RRSP. In this situation, the FMV of the annuity payments that are not receivable by the spouse or common-law partner has to be included in the income of the deceased annuitant for the year of death.

When no beneficiary is named in the RRSP contract, the deceased annuitant's estate becomes entitled to receive the RRSP property. If the deceased's will states that the spouse or common-law partner is entitled to the amounts paid under the RRSP, or that the spouse or common-law partner is the sole beneficiary of the estate, the spouse or common-law partner can elect in writing, jointly with the legal representative, to be the successor annuitant under the plan. Common-law partners who are of the same sex can make this election if the annuitant died after 1997.

If this election is made, we consider the spouse or common-law partner to have received the RRSP property, and he or she will have to include it in income for the year the legal representative received it. To make this election, the legal representative and the spouse or common-law partner need only to write a letter explaining their intention. A copy of the letter must be provided to the payer of the annuity and another copy attached to the spouse's or common-law partner's return.

General rule – beneficiaries of the RRSP

Amounts paid from the RRSP, which represent income earned in the RRSP after the date the annuitant died, have to be reported by the beneficiaries named in the RRSP contract or by the annuitant's estate (if no beneficiary is named). These payments have to be included in the income of the beneficiaries or the estate for the year they were received.

Optional reporting

If a qualified beneficiary (see below) receives an amount that qualifies as a refund of premiums (see below) from a deceased annuitant's matured RRSP, the annuitant's legal representative can claim a reduction of the amount the annuitant is considered to have received at the time of death. The reduction is determined by completing Chart 2 on page 4. It allows for a redistribution of the annuitant's income to the qualified beneficiary who actually received it. The redistribution of income allows the legal representative and the qualified beneficiary to arrange their affairs in such a way as to pay the least amount of tax the law allows.

If none of the payments out of the RRSP are made to a qualified beneficiary or designated as a refund of premiums, the amount the annuitant is considered to have received at the time of death cannot be reduced.

For purposes of a matured RRSP, a **qualified beneficiary** includes the same persons (other than the annuitant's spouse or common-law partner) mentioned in the

definition provided on page 2. A **refund of premiums** out of a matured RRSP includes any of the amounts shown in the shaded areas of Chart 1 on page 1 if they are paid to a qualified beneficiary. If these amounts are paid to the annuitant's estate, they will qualify as a refund of premiums if the following conditions are met:

- a qualified beneficiary is a beneficiary of the annuitant's estate; and
- the annuitant's legal representative and the qualified beneficiary jointly file Form T2019, *Death of an RRSP Annuitant – Refund of Premiums*, to designate all or part of the amounts paid to the estate as a refund of premiums received by the qualified beneficiary.

Qualified beneficiaries – transfers

When a qualified beneficiary includes a refund of premiums in income, he or she can defer paying tax on the amount by transferring it to an eligible registered plan or fund, or to an issuer to buy an eligible annuity. For information on who is considered to be a **qualified beneficiary** and for the meaning of **refund of premiums**, see the definitions provided in the sections called "Optional reporting" under both "Unmatured RRSP" and "Matured RRSP."

The following chart shows the transfers that different qualified beneficiaries can choose.

Refund of premiums paid to:	Can be transferred to:		
	RRSP*	RRIF	Annuity
■ the annuitant's spouse or common-law partner	✓	✓	✓
■ the annuitant's financially dependent child or grandchild who:			
– was dependent because of a physical or mental infirmity	✓	✓	✓
– was dependent but not because of a physical or mental infirmity			✓**
* The qualified beneficiary must be 69 years of age or younger at the end of the year the transfer is made.			
** The annuity can provide for payments based on a period of not more than 18 years minus the child's or grandchild's age at the time the annuity was purchased. The payments from the annuity have to begin no later than one year after the purchase.			

The transfer or purchase has to be completed in the year the refund of premiums is received or within 60 days after the end of the year.

The carrier or issuer who receives the transferred funds will issue an official receipt to the qualified beneficiary. The beneficiary can use the receipt to claim a deduction on his or her return for the year the refund of premiums was received. The following chart shows where on the return the beneficiary should claim the deduction.

Refund of premiums transferred to:	Claim deduction on:	
	line 208	line 232
an RRSP	✓	
a RRIF		✓
an annuity		✓

Example

Martin died in June 2004. When he died the fair market value (FMV) of his unmatured trustee RRSP was \$185,000. The FMV of the RRSP on December 31, 2005, was \$215,000. On June 30, 2006, the day the RRSP property was distributed, the FMV of the RRSP was \$225,000. The RRSP contract named Martin's spouse, Elaine, as the sole beneficiary. Elaine, who is also the legal representative of Martin's estate, received the following slips:

- a T4RSP slip for 2006 issued in her name, showing \$30,000 in box 18, and \$10,000 in boxes 28 and 40; and
- a T4RSP slip for 2004 in Martin's name, showing \$185,000 in box 34 (although Elaine is the sole beneficiary, a slip was issued to Martin because the second condition in the exception described in the section called "General rule – deceased annuitant" on page 1 is not met).

Elaine wants to know if it would be beneficial to request a reduction of the amount Martin is considered to have received from his RRSP when he died. She completes Chart 2 below and determines that she can claim a \$185,000 reduction. She reviews Martin's tax situation and her own, and decides to claim a \$100,000 reduction. This reduces the amount reported on line 129 of Martin's 2004 return to \$85,000 (\$185,000 – \$100,000), and increases the amount reported on line 129 of her 2006 return to \$140,000 (\$100,000 + \$30,000 + \$10,000). Because the FMV of the RRSP at the time of death was included in Martin's income for 2004, Elaine has to write a letter to request an adjustment to that year's return. To minimize her 2006 taxes, she transfers \$130,000 to her RRIF. This is the difference between the amount she included in income (\$140,000) and the amount shown in box 40 of her T4RSP slip (\$10,000). Elaine claims a \$130,000 deduction on line 232 of her 2006 return.

Chart 2 – How to calculate the reduction of the amount the deceased annuitant is considered to have received at death

Example above

Complete a separate calculation for each RRSP belonging to the deceased annuitant.

1. Enter the amount shown in box 34 of the T4RSP slip issued to the annuitant for the year of death.	\$ <u> </u> 1	\$ <u>185,000</u> 1
2. Enter the FMV of the RRSP at the later of the following dates (you may need to contact the deceased annuitant's RRSP issuer to determine these amounts): <ul style="list-style-type: none"> ■ December 31 of the year following the year the annuitant died; or ■ the end of the day on which the last refund of premiums was paid out of the RRSP. 	\$ <u> </u> 2	\$ <u> 0</u> 2
3. Enter the total of all amounts paid out of the RRSP after the annuitant died.	+ \$ <u> </u> 3	+ \$ <u>225,000</u> 3
4. Add lines 2 and 3.	= \$ <u> </u> 4	= \$ <u>225,000</u> 4
5. Enter the amount from either line 1 or line 4, whichever is less .	– \$ <u> </u> 5	– \$ <u>185,000</u> 5
6. Line 4 minus line 5.	= \$ <u> </u> 6	= \$ <u>40,000</u> 6
7. Enter the total of the following amounts: <ul style="list-style-type: none"> ■ amount designated as a refund of premiums on each Form T2019 filed for the RRSP; ■ the part of the amounts shown in box 40 of all T4RSP slips and box 13 of all T5 slips issued in the name of the estate that the qualified beneficiaries are entitled to receive from the estate; ■ amounts shown in boxes 18 and 28 of all T4RSP slips and box 13 of all T5 slips issued to qualified beneficiaries; ■ the part of the amount shown in box 40 of all T4RSP slips that were issued to the qualified beneficiaries that is not required to be included in income (contact the deceased annuitant's RRSP issuer to determine these amounts); and ■ the part of the amount shown in box 34 of the T4RSP slip that was issued to the deceased annuitant for the year of death and that the qualified beneficiaries are entitled to receive. 	\$ <u> </u> 7	\$ <u>225,000</u> 7
8. Enter the result of the following calculation: $1 - \left(\frac{\$ \text{ (amount from line 6)}}{\$ \text{ (amount from line 4)}} \right) \times$	<u> </u> 8	× <u>0.822222*</u> 8
9. Maximum reduction of the amount the deceased annuitant is considered to have received at the time of death (line 7 multiplied by line 8). The reduction can be any amount, from zero to the amount on this line.	= \$ <u> </u> 9	= \$ <u>185,000</u> 9

If the reduction is claimed in the year the annuitant died, the legal representative has to attach a letter to the annuitant's return for that year to explain how the amount reported on line 129 was calculated. If the reduction is claimed after the year of death, the legal representative has to write us a letter requesting an adjustment to the annuitant's return for the year of death.

*Calculation of line 8

$$1 - \left(\frac{\$ 40,000}{\$ 225,000} \right)$$

