Canada Revenue Agency
Agence du revenu du Canada

When You Retire

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Canada

Is this pamphlet for you?

This pamphlet has tax information that may apply to you when you retire. We discuss the more common types of income you might get, as well as deductions and credits you may be able to claim. We also explain how you can pay the income tax you owe by having tax withheld from income or by paying your income taxes by instalments.

Note
Service Canada provides detailed information for seniors on retirement issues. Follow the "Seniors" link on their Web site at **www.servicecanada.gc.ca**.

If you have a visual impairment, you can get our publications in braille, large print, etext (CD), or MP3 by going to **www.cra.gc.ca/alternate** or by calling **1-800-959-2221**. You can also get your personalized correspondence in these formats by calling **1-800-959-8281**.

La version française de cette publication est intitulée *Vous prenez votre retraite?*

Table of contents

What types of income will you have?

The following are the more common types of income you might get when you retire.

Old Age Security pension

You will not automatically get the Old Age Security (OAS) pension, the Guaranteed Income Supplement (GIS), or the allowance. You have to apply for them at a Service Canada Centre.

Note
You do not have to renew your application for the GIS each year. If you are eligible for the GIS, you will get it as long as you file your income tax and benefit return.

To find out if you are eligible, visit the Service Canada Web site at **www.servicecanada.gc.ca** or call **1-800-277-9914**. If you use a teletypewriter, call **1-800-255-4786**.

Each year, you will receive a T4A(OAS) slip that shows your OAS pension, GIS, and allowance, if applicable, and any income tax that was deducted. The OAS pension is taxable and you have to include it in income on your income tax and benefit return.

The GIS and the allowance must also be included in income, but since they are not taxable, you can claim a deduction for them on your income tax and benefit return.

If your net income before adjustments (line 234 of your income tax and benefit return) is more than the yearly maximum amount, you may have to repay all or a part of the OAS pension, GIS, or allowance. For more information, see the *General Income Tax and Benefit Guide*.

Canada Pension Plan or Quebec Pension Plan benefits

You will not automatically get Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) benefits.

For CPP, you can apply online at **www.servicecanada.gc.ca** or by completing Form ISP1000, *Application for Canada Pension Plan Retirement*.

For QPP, visit the Quebec Pension Plan benefits Web site at **www.rrq.gouv.qc.ca** or call **1-800-463-5185**.

You will get a T4A(P) slip that will show you the CPP and QPP benefits to include in income on your income tax and benefit return.

Retiring allowances (severance pay)

A retiring allowance is an amount you get:

- on or after retiring from an office or employment in recognition of long service;
- for the loss of office or employment; or
- for unused sick-leave credits on termination.

A retiring allowance is **not**:

- a superannuation or pension benefit;
- an amount paid as a result of an employee's death;
- a benefit received for certain counselling services that does not have to be included in your income;
- payments for accumulated vacation leave not taken prior to retirement; or
- wages in lieu of termination notice.

Your T4 or T3 slip shows the total amount of your retiring allowance that you have to include in income on your income tax and benefit return.

Transfers

You can transfer the **eligible part** of your retiring allowance to your registered retirement savings plan (RRSP) or a registered pension plan (RPP). When you complete your income tax and benefit return, include the total amount of the retiring allowance in your income. Complete Schedule 7, *RRSP Unused Contributions, Transfers, and HBP or LLP Activities*, from your tax package, and claim an RRSP deduction for the eligible amount of the retiring allowance you transferred to your RRSP.

On a T4 slip, box 66 shows the part of the retiring allowance that is **eligible** for transfer to an RRSP or an RPP. Box 67 shows the part of the retiring allowance that is **not eligible** for transfer. Add the amounts in box 66 and box 67 to calculate the total amount of retiring allowance you have to include in your income.

On a T3 slip, box 26 shows the total amount of the retiring allowance you have to include in your income. The part of a retiring allowance that qualifies for transfer is shown in box 47.

For more information, see Guide T4040, *RRSPs and Other Registered Plans for Retirement*.

Pension or superannuation income

You will get a T4A or T3 slip that shows the amount of benefits from a Canadian pension plan to include in your income on your income tax and benefit return. The T4A slip also shows how much income tax was deducted.

Foreign pension income

If you get pension benefits from a foreign country, you have to report the amount of your foreign pension income in Canadian dollars. Claim a deduction on **line 256** of your income tax and benefit return for the part of your foreign pension income that is tax-free in Canada because of a tax treaty.

To determine if any part of your foreign pension is tax-free in Canada, or where to report it on your income tax and benefit return, call **1-800-959-8281**.

If you had an individual retirement account (IRA) from the United States and either received amounts from it or converted it to a Roth IRA, call **1-800-959-8281**.

> **Note**
> Pension income you get may qualify for the pension income amount. For more information, see line 314 in your *General Income Tax and Benefit Guide*.

Annuity payments

An annuity is a contract or agreement that provides you with a sum of money on a regular basis.

You may get annuity payments from:

- general annuities;
- deferred profit sharing plans (DPSPs);
- registered pension plans (RPPs);
- registered retirement income funds (RRIFs); and
- registered retirement savings plans (RRSPs).

> **Note**
> Annuity payments you get may qualify for the pension income amount.

For more information, see lines 115, 129, 130, and 314 in your *General Income Tax and Benefit Guide*.

Registered retirement savings plan income

You will get a T4RSP slip that will show the amount of registered retirement savings plan (RRSP) income to include on your income tax and benefit return. The slip will also show how much income tax was deducted, if any.

The year you turn 71 years of age is the last year you can make contributions to your RRSP.

By the end of that year, you have to either cash in your RRSP (and pay income tax on the amount you get in that year) or transfer this amount into:

- an annuity for life;
- an annuity spread over a number of years; or
- a registered retirement income fund (RRIF).

For more information, see Guide T4040, *RRSPs and Other Registered Plans for Retirement*.

Registered retirement income fund payments

This is a fund you establish with a carrier and that we register. You transfer property to the carrier from an RRSP, RPP, or from another registered retirement income fund (RRIF), and the carrier makes payments to you. You have to be paid a minimum amount from your RRIF each year after the year you set it up.

You will receive a T4RIF slip showing the amount of RRIF payments you received. You have to include payments you get from a RRIF on your income tax and benefit return.

Pension income splitting

You and your spouse or common-law partner can elect to split your eligible pension or superannuation income.

You and your spouse or common-law partner may also be eligible to split annuity and RRIF (including life income fund) payments, and RRSP annuity payments **if** you are 65 years of age or older at the end of the year **or** received the payments because of the death of your spouse or common-law partner.

To make this election, you and your spouse or common-law partner **must** complete Form T1032, *Joint Election to Split Pension Income*. Only one joint election can be made for a tax year. If both you and your spouse or common-law partner have eligible pension income, you will have to decide which one of you will split his or her pension income.

This form is to be filed by the filing due date of your income tax and benefit return for the year. For more information, see your *General Income Tax and Benefit Guide*.

Investment income

You might earn interest or dividends from Canadian sources, as well as foreign interest and dividend income. The amount you include in your income depends on the type of investment.

Bank accounts

Report interest paid or credited to you in the year, even if you did not get an information slip.

Term deposits, guaranteed investment certificates, and other similar investments

Interest builds up on these investments over a period of time, usually longer than one year. Generally, you do not get the interest until the investment matures or you cash it in. However, you have to report the interest you earned during each complete investment year.

Canada Savings Bonds

Interest on a regular interest ("R") bond is paid annually until the bond matures or you cash it in. Interest on a compound interest ("C") bond is not paid until you cash it in. For information on what to report, see line 121 in your *General Income Tax and Benefit Guide*.

Treasury bills (T-bills)

If you disposed of a T-bill at maturity in the year, you have to report as interest the difference between the price you paid and the proceeds of disposition shown on your T5008 slip(s) or account statement(s).

If you disposed of a T-bill before maturity in the year, you may also have to report a capital gain or loss. For more information, see Guide T4037, *Capital Gains*.

Earnings on life insurance policies

Report the earnings that have accumulated on certain life insurance policies in the same way as you do for other investments. In all cases, your insurance company will send you a T5 slip. For policies bought before 1990, you can choose to report accumulated earnings annually by telling your insurer in writing.

For more information on each type of investment income, see line 121 in your *General Income Tax and Benefit Guide*.

Capital gains and losses

A capital gain or loss occurs when you sell or dispose of property such as real estate or shares. Generally, if the total of your capital gains for the year is more than the total of your capital losses, you have to include a percentage of the difference in your income.

For more information, see line 127 in your *General Income Tax and Benefit Guide*, or Guide T4037, *Capital Gains*.

Retroactive lump-sum payments

If you received a lump-sum payment of eligible income in the year, parts of which were for previous years after 1977, you have to include the whole payment on the appropriate line of your income tax and benefit return in the year you get it.

We will **not** reassess the returns for the previous years to include this income. However, you can ask us to tax the parts for the previous years as if you received them in those years. We can apply this calculation to the parts that relate to years throughout which you were resident in Canada, if the total of those parts is $3,000 or more (not including interest) and the result is better for you.

Eligible income includes:

- employment income and damages for loss of employment received by order or judgment of a competent tribunal, as an arbitration award, or under a lawsuit settlement agreement;
- periodic pension benefits (not including Canada Pension Plan or Quebec Pension Plan benefits);
- wage-loss replacement plan benefits;
- support payments for a spouse, common-law partner, or child; and
- Employment and Unemployment Insurance benefits.

To ask us to apply this calculation, attach to your paper return all completed copies of Form T1198, *Statement of Qualifying Retroactive Lump-Sum Payment*, that the payers have given you. We will tell you the results on your notice of assessment or notice of reassessment.

Tax-Free Savings Account

Canadian residents who are 18 years of age or older with a valid social insurance number can contribute to a Tax-Free Savings Account (TFSA).

The initial amount contributed (up to the maximum) as well as the income earned in the account (for example, investment income and capital gains) is tax-free, even when it is withdrawn.

To open a TFSA, you must contact your financial institution, credit union or insurance company (issuer).

Depending on the type of investment held in your TFSA, you can generally withdraw any amount from the TFSA at any time and for any reason, with no tax consequences. For more information on withdrawing from your TFSA, contact your TFSA issuer.

For more information and to find out how much you can contribute, go to **www.cra.gc.ca/tfsa** or see Guide RC4466, *Tax-Free Savings Account (TFSA), Guide for Individuals*.

How will you pay income tax after you retire?

When you retire, you may get income that has no tax withheld by the payer or does not have enough tax withheld. As a result, you may have to pay a large amount of tax when you file your income tax and benefit return.

How you pay the tax you owe will depend on the type of income you get. For example, if your main source of income is from a pension, you can have enough tax withheld at source to pay the tax you owe. However, if you receive investment, rental, self-employment income, or certain pension payments, you may need to pay your income tax by instalments.

Having tax withheld from income

If you are an employee, you probably pay almost all the income tax you owe by having tax withheld from your pay through payroll deductions.

To ensure that enough income tax is withheld from pension income you will receive, give a completed Form TD1, *Personal Tax Credits Return*, to your employer or pension plan administrator. In addition to the federal Form TD1, you may also have to complete the applicable provincial or territorial personal tax credits return.

To have income tax withheld from Old Age Security (OAS) and Canada Pension Plan (CPP) benefits, call **1-800-277-9914** or send a completed Form ISP3520, *Request for Income Tax Deductions*, to a Service Canada Centre.

To get Form ISP3520, contact Service Canada, or visit their Web site at **www.servicecanada.gc.ca**. You will find the addresses and the telephone numbers of the Service Canada offices on this Web site or in the government section of your telephone book.

Paying tax by instalments

Instalments are periodic income tax payments that individuals have to pay to the Canada Revenue Agency on certain dates to cover tax that they would otherwise have to pay in a lump sum on April 30 of the following year.

To find out if you have to pay your tax by instalments, see Pamphlet P110, *Paying Your Income Tax by Instalments*. To set up your instalment plan on line, go to **www.cra.gc.ca/myaccount**.

Reducing and deferring tax

In your retirement years, you may have income from several sources on which you have to pay tax.

The following are some ways you may be able to reduce or defer some of your tax payable.

Carrying charges and interest expenses

You can claim the following carrying charges and interest you paid to earn income from investments:

- fees to manage or take care of your investments (other than administration fees you paid for your registered retirement savings plan or registered retirement income fund), including safety deposit box charges;

- fees for certain investment advice (see Interpretation Bulletin IT-238, *Fees Paid to Investment Counsel*) or for recording investment income;
- fees to have someone complete your income tax and benefit return, but only if you have income from a business or property, accounting is a usual part of the operations of your business or property, and you did not use the amounts claimed to reduce the business or property income you reported (see Interpretation Bulletin IT-99, *Legal and Accounting Fees*); and
- most interest you pay on money you borrow for investment purposes, but generally only as long as you use it to try to earn investment income, including interest and dividends. However, if the only earnings your investment can produce are capital gains, you cannot claim the interest you paid. For more information, call **1-800-959-8281**.

Registered retirement savings plan

A registered retirement savings plan (RRSP) is a retirement savings plan that you establish, that we register, and to which you or your spouse or common-law partner contribute. Any income you earn in the RRSP is usually exempt from tax for the period the funds remain in the plan. However, you generally have to pay tax when you get payments from the plan.

Generally, the amount you can deduct for contributions to your or your spouse's or common-law partner's RRSPs for a given tax year is based on your earned income from the previous years. This amount is called your "RRSP deduction limit" and it shows how much you can deduct for contributions you make to RRSPs.

Your RRSP deduction limit is shown on your latest notice of assessment, notice of reassessment, or on a T1028, *Your RRSP Information*.

When you file your income tax and benefit return, you may also have to complete Schedule 7, *RRSP Unused Contributions, Transfers, and HBP or LLP Activities*, from your tax package.

For more information, go to **www.cra.gc.ca/rrsp** or see line 208 in your *General Income Tax and Benefit Guide*.
To view RRSP information, such as your RRSP deduction limit, go to **www.cra.gc.ca/myaccount**.

> **Note**
> After the end of the year you turn 71 years of age, you or your spouse or common-law partner cannot contribute to an RRSP under which you are the annuitant. However, you can still contribute to your spouse's or common-law partner's RRSP until the end of the year he or she turns 71 years of age, and you can deduct those contributions as long as you still have an unused amount on your RRSP deduction limit.

For more information, see Guide T4040, *RRSPs and Other Registered Plans for Retirement*.

Transferring income to an RRSP

You may be able to claim a deduction for eligible amounts (such as a retiring allowance) you include in income that you transfer to your RRSP.

You **cannot** transfer the following to an RRSP:

- Canada Pension Plan or Quebec Pension Plan benefits;
- Old Age Security benefits;
- periodic superannuation or pension payments; or
- deferred profit-sharing plan benefits.

For more information, see Guide T4040, *RRSPs and Other Registered Plans for Retirement*.

Registered pension plan contributions between 1976 and 1985

A registered pension plan (RPP) is a pension plan that has been set up by your employer or by your employer and you, and registered by us, to provide you with a pension when you retire.

If you made RPP contributions from 1976 to 1985, only $3,500 of those contributions could be deducted in any of those years. Therefore, you may still have contributions that can be deducted.

For more information, see Guide T4040, *RRSPs and Other Registered Plans for Retirement*.

Non-refundable tax credits

Non-refundable tax credits reduce the amount of income tax you owe. However, if the total of these credits is more than the amount you owe, you will not get a refund for the difference.

You can claim the same non-refundable tax credits that you could before your retirement, if they still apply.

In addition, you may be able to claim the pension income amount (line 314 of your income tax and benefit return) if you reported eligible pension, superannuation, or annuity payments on your income tax and benefit return.

If you were 65 years of age or older at the end of the year, you may be able to claim all or part of the age amount.

You may also be able to transfer all or part of your age or pension income amount to your spouse or common-law partner if you do not need it to reduce your tax payable to zero.

For more information, see your *General Income Tax and Benefit Guide*.

Provincial or territorial credits

If you lived in Quebec on December 31, you will have to complete a separate Quebec tax return to calculate your provincial tax and credits.

If you lived anywhere in Canada except in Quebec on December 31, see your *General Income Tax and Benefit Guide*, to find out if you can claim provincial or territorial credits.

GST/HST credit

You may be eligible for the goods and services tax/harmonized sales tax (GST/HST) credit, which helps individuals and families with low or modest incomes offset all or part of the GST/HST that they pay.

To get this credit, and any related provincial credit, you have to apply for it, even if you received such credits last year. To apply, you **have to file** an income tax and benefit return, even if you have no income to report. Tick **yes** in the GST/HST credit application area on page 1 of your income tax and benefit return. In the Identification area, enter your marital status and if it applies, the information concerning your spouse or common-law partner (including his or her net income, **even if it is zero**). Otherwise, your application may be delayed.

Either you or your spouse or common-law partner can get the credit, but not both. **No matter which one of you applies, the credit will be the same**.

Generally, eligible individuals who apply for the GST/HST credit will get payments in July and October in the year they apply, and in January and April of the following year. We will send you a GST/HST credit notice (usually in July of the year you apply). It will show you how much you will get and how we calculated the amount.

The Canada Revenue Agency administers the provincial programs that are related to the GST/HST credit. You do **not** need to apply to a province to get payments for these programs. To get them, you or your spouse or common-law partner simply have to apply for the GST/HST credit on your or your spouse's or common-law partner's income tax and benefit return.

For more information, go to **www.cra.gc.ca/gsthstcredit** or see Pamphlet RC4210, *GST/HST Credit*. To view the details of your GST/HST credit payments, go to **www.cra.gc.ca/myaccount**.

Are you leaving Canada?

If you are planning to spend part of the year in another country, such as the United States, either for health reasons or for a vacation, we will normally consider you to be a resident of Canada for income tax purposes. If you earn income while you are there, you have to include it on your Canadian income tax and benefit return.

For more information, see Pamphlet P151, *Canadian Residents Going Down South*, or Pamphlet T4131, *Canadian Residents Abroad*. If you are planning on leaving Canada to settle in another country, see Pamphlet T4056, *Emigrants and Income Tax*, for the special rules that apply in the year you leave Canada.

For more information

What if you need help?

If you need help after reading this publication, go to **www.cra.gc.ca/seniors** or call **1-800-959-8281**.

Forms and publications

To get our forms or publications, go to **www.cra.gc.ca/forms** or call **1-800-959-2221**.

My Account

My Account is a secure, convenient, and time-saving way to access and manage your tax and benefit information online, seven days a week. If you are not registered with My Account but need information right away, use Quick Access to get fast, easy, and secure access to some of your information. For more information, go to **www.cra.gc.ca/myaccount** or see Pamphlet RC4059, *My Account for individuals*.

Electronic payments

Make your payment online using the CRA's My Payment service at **www.cra.gc.ca/mypayment** or using your financial institution's telephone/Internet banking services. For more information, go to **www.cra.gc.ca/electronicpayments** or contact your financial institution.

Tax Information Phone Service (TIPS)

For personal and general tax information by telephone, use our automated service, TIPS, by calling **1-800-267-6999**.

Teletypewriter (TTY) users

TTY users can call **1-800-665-0354** for bilingual assistance during regular business hours.

Community Volunteer Income Tax Program

If you need help to complete your income tax and benefit return, your income is low, and your tax situation is simple, our volunteers are specially trained to help you. For more information about this free program, or if you want to become a volunteer, go to **www.cra.gc.ca/volunteer** or call **1-800-959-8281**.

Our service complaint process

If you are not satisfied with the **service** that you have received, please contact the CRA employee you have been dealing with or call the telephone number that you have been given. If you are not pleased with the way your concerns are addressed, you can ask to discuss the matter with the employee's supervisor.

If the matter is not settled, you can then file a service complaint by completing Form RC193, *Service-Related Complaint*. If you are still not satisfied, you can file a complaint with the Office of the Taxpayers' Ombudsman.

For more information, go to **www.cra.gc.ca/complaints** or see Booklet RC4420, *Information on CRA – Service Complaints*.

Your opinion counts

If you have any comments or suggestions that could help us improve our publications, we would like to hear from you. Please send your comments to:

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