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Canada disability savings grant and Canada disability savings bond

Canada disability savings grant

The grant is an amount that the Government of Canada pays into an registered disability savings plan (RDSP). The Government will pay matching grants of 300%, 200%, or 100%, depending on the beneficiary's adjusted family net income and the amount contributed. The beneficiary's adjusted net family income is calculated as follows:

- From birth to December 31 of the year the beneficiary becomes 18 years of age, the beneficiary's adjusted family net income is based on the income information used to determine the Canada child benefit (CCB) for that beneficiary
- Beginning the year the beneficiary becomes 19 years of age until the RDSP is closed, the beneficiary's adjusted family net income is based on his or her income **plus** his or her spouse's, or common-law partner's income.
- If the beneficiary is under the care of a department, agency, or institution for at least one month in the year, the adjusted family net income is based on the allowance payable to the department, agency, or institution under the Children's Special Allowances Act.

An RDSP can get a maximum of \$3,500 in matching grants in one year, and up to \$70,000 over the beneficiary's lifetime. A beneficiary's RDSP can receive a grant on contributions made until December 31 of the year in which the beneficiary turns 49.

The amount of the grant is based on the beneficiary's adjusted family net income. The beneficiary adjusted family net income thresholds are indexed each year to inflation. The income thresholds for 2017 are as follows:

Amount of CDSG grant when family income is \$90,563 or less:

- on the first \$500 contribution—\$3 grant for every dollar contributed, up to \$1,500 a year.
- on the next \$1,000 contribution—\$2 grant for every dollar contributed, up to \$2,000 a year.

Amount of CDSG grant when family income is more than \$91,831:

- on the first \$1,000 contribution—\$1 grant for every dollar contributed, up to \$1,000 a year.

Canada disability savings bond

The bond is an amount paid by the Government of Canada directly into an RDSP. The Government will pay bonds of up to \$1,000 a year to low-income Canadians with disabilities. No contributions have to be made to get the bond. The lifetime bond limit is \$20,000. A bond can be paid into an RDSP until the year in which the beneficiary becomes 49 years of age.

The amount of the bond is based on the beneficiary's adjusted family net income. The beneficiary family income thresholds are indexed each year to inflation. The income thresholds for 2017 are as follows:

- **\$30,000 or less** (or if the holder is a public institution), the bond is **\$1,000**;
- between **\$30,000** and **\$45,916**, part of the **\$1,000** is based on the formula in the Canada Disability Savings Act;
- more than **\$45,916**, no bond is paid.

Before the end of the year you turn 49 years of age, you can carry forward up to 10 years of unused grant and bond entitlements to future years, as long as you met the eligibility requirements during the carry-forward years (i.e. you were eligible for the disability tax credit and you were a Canadian resident). If an RDSP was opened:

- in 2017, the carry forward period would be from 2008 (the year RDSPs became available) to 2017;
- in 2020, the carry forward period would be from 2010 to 2019.

The grant and bond will be paid on unused entitlements up to an annual maximum of \$10,500 for the grant and \$11,000 for the bond.

Employment and Social Development Canada (ESDC) administers the grant and bond programs. ESDC bases the amount of the grants and bonds that are available for any particular year on the beneficiary's family income for that year, as well as on matching rates.

See Example - How to carry forward unused grant and bond entitlements.

When do grants and bonds have to be repaid?

10-Year Repayment Rule

If any of the following events occur, all government grants and bonds paid into the plan during the preceding **10 years** before the event must be repaid to the Government of Canada. Repayments are required when:

- the RDSP is terminated;
- the plan ceases to be an RDSP;
- prior to 2014, disability assistance payment (DAP) is made from the plan;
- prior to 2014, the beneficiary stops being eligible for the DTC;

- **since January 1, 2014**, the beneficiary stops being eligible for the disability tax credit (DTC) and an election to extend the period for which an RDSP may remain open is not filed by the plan holder;
- where a valid election to keep an RDSP open expires; or
- the beneficiary dies.

To ensure the funds in an RDSP are available to meet potential obligations under the 10-year repayment rule, RDSP issuers must set aside an “assistance holdback amount” equal to the total grant and bond paid into the RDSP in the preceding 10 years less any grant and bond already repaid in respect of that 10-year period. When one of the events described above occurs, the required repayment is equal to the amount of the assistance holdback amount immediately preceding the event.

Note

Repayments of amounts that were previously included as income are tax deductible and reported on line 232 of the T1 General - Income Tax and Benefit Return.

A beneficiary with a life expectancy of five years or less will be allowed annual RDSP withdrawals of up to \$10,000 in taxable plan savings, as well as a pro-rated amount of plan contributions, without having to repay the grants or bonds paid into the plan in the preceding 10 years. These rules only apply when an election to be a specified disability savings plan has been filed with the RDSP issuer by the holder of the RDSP and the issuer has notified ESDC of the election.

A rule **applies** for withdrawals made from an RDSP **after 2013**. This rule replaces the 10-year repayment rule only for RDSP withdrawals. The former 10-year repayment rule will continue to apply where the RDSP is terminated or deregistered, or the RDSP beneficiary stops being eligible for the DTC without filing an election or the RDSP beneficiary dies.

Proportional repayment rule

As of **2014**, the proportional repayment rule applies on the event where an amount is withdrawn from the RDSP. The proportional repayment rule will require that, for each \$1 withdrawn from an RDSP, \$3 of any grants or bonds paid into the plan in the 10 years preceding the withdrawal be repaid, up to a maximum of the assistance holdback amount. Repayments will be attributed to the grants or bonds that make up the assistance holdback amount based on the order in which they were paid into the RDSP, beginning with the oldest amounts.

For more information on how much the repayment will be, contact the issuer of your RDSP or visit the ESDC website.

Example

Jeff opens an RDSP in 2012 and contributes \$1,500 to his plan annually, being eligible for the maximum grant (\$3,500) for each year. In 2017, the assistance holdback amount for his plan equals \$21,000.

In 2017, he withdraws \$600 from his RDSP. Under the 10-year repayment rule, the entire assistance holdback amount (\$21,000) would have to be repaid. Under the proportional repayment rule, \$1,800 of the assistance holdback amount will be repaid (approximately 9% of the repayment required under the former 10-year repayment rule). The \$1,800 repayment will come from the grants paid into his RDSP in 2012 and the plan's assistance holdback amount will be reduced to \$19,200.

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