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Registered Disability Savings Plan

Is this guide for you?

Use this guide if you want information about registered disability savings plans (RDSPs). This guide has information which is not in the General Income Tax and

Benefit package and which you may need to fill out your income tax and benefit return.

Our publications and personalized correspondence are available in braille, large print, e-text, or MP3 for those who have a visual impairment. Find more information at canada.ca/cra-multiple-formats or by calling **1-800-959-8281**.

La version française de ce guide est intitulée Régime enregistré d'épargne-invalidité

Unless otherwise stated, all legislative references are to the Income Tax Act and the Income Tax Regulations.

What's new?

RDSPs will be subject to anti-avoidance rules similar to the rules already in place for registered retirement income funds (RRIFs), registered retirement savings plans (RRSPs), and tax-free savings accounts (TFSA). The change will be effective for RDSP transactions after **March 22, 2017**. The previous RDSP anti-avoidance rules will continue to apply for RDSP transactions undertaken prior to **March 23, 2017**.

Under the new RDSP anti-avoidance rules, RDSPs will continue to be subject to a tax on non-qualified advantages, as well as a more comprehensive tax on advantages and a new tax on prohibited investments.

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Definitions

This section provides a general definition of the technical terms that we use in this guide.

Adjusted family net income – this is your family net income **minus** any universal child care benefit (UCCB) and registered disability savings plan (RDSP) income received **plus** any UCCB and RDSP amounts repaid.

Advantage – an advantage is any benefit, loan or debt that depends on the existence of the RDSP, **other than**:

- disability assistance payments
- contributions made by or with the consent of a holder
- RDSP to RDSP transfers
- grants and bonds
- administrative or investment services in connection with the RDSP
- loans on arm's length terms
- payments or allocations (such as bonus interest) to the RDSP by the issuer or
- a benefit provided under an incentive program that is offered to a broad class of persons in a normal commercial or investment context and not established mainly for tax purposes

An advantage includes any benefit that is an increase in the total fair market value of the property held in connection with the RDSP that can reasonably be considered attributable, directly or indirectly, to one of the following:

- a transaction or event (or a series of transactions or events) that would not have occurred in a normal commercial or investment context where parties deal with each other at arm's length and act prudently, knowledgeable, and willingly with each other, and one of the main purposes of which is to enable the holder (or another person or partnership) to benefit from the tax-exempt status of the RDSP
- a payment received in substitution for either:
 - a payment for services provided by the holder (or another person not at arm's length with the holder) or
 - a payment of a return on investment or proceeds of dispositions for property held outside of the RDSP by the holder or a person not dealing at arm's length with the holder
- a swap transaction or
- **specified non-qualified investment income** that has not been paid from the RDSP within 90 days of the holder receiving a notice from CRA requiring them to remove the amount from the RDSP

An advantage also includes a registered plan strip or any benefit that is income (excluding the dividend gross-up), or a capital gain that is reasonably attributable, directly or indirectly, to one of the following:

- a prohibited investment in respect of the RDSP or any other RDSP of the holder
- an amount received by the holder of the RDSP (or by a person not dealing at arm's length with the holder) if it is reasonable to consider that the amount was paid in relation to, or would not have been paid but for, property held in connection with the RDSP, and the amount was paid in substitution for either a payment:
 - for services provided by the holder (or another person not dealing at arm's length with the holder) or
 - of a return on investment or proceeds of disposition

Prior to March 23, 2017, an advantage is any benefit or loan that depends on the existence of the RDSP, **other than**:

- disability assistance payments
- contributions made by or with the consent of a holder
- RDSP to RDSP transfers
- grants and bonds
- administrative or investment services in connection with the RDSP; or
- loans used to make contributions to an RDSP

Arm's length – refers to a relationship or a transaction between persons who act in their separate interests. An arm's length transaction is generally a transaction that reflects ordinary commercial dealings between parties acting in their separate interests.

Related persons are not considered to deal with each other at arm's length. Related persons include individuals connected by blood relationship, marriage, common-law partnership or adoption (legal or in fact). A corporation and another person or two corporations may also be related persons.

Unrelated persons may not be dealing with each other at arm's length at a particular time. Each case will depend upon its own facts. The following criteria will be considered to determine whether parties to a transaction are not dealing at arm's length:

- whether there is a common mind which directs the bargaining for the parties to a transaction
- whether the parties to a transaction act in concert without separate interests; "acting in concert" means, for example, that parties act with considerable interdependence on a transaction of common interest or
- whether there is de facto control of one party by the other because of, for example, advantage, authority or influence

For more information, see Income Tax Folio S1-F5-C1, Related Persons and Dealing at Arm's Length.

Fair market value (FMV) – usually the highest dollar value you can get for your property in an open and unrestricted market, between a willing buyer and a willing seller who are acting independently of each other. For more information on the valuation of securities of closely held corporations, see Information Circular IC89-3, Policy Statement on Business Equity Valuations.

Non-arm's length – refers to parties that are not dealing with each other at arm's length. A non-arm's length transaction is generally a transaction that does not reflect ordinary commercial dealings between parties acting in their separate interests.

Non-qualified investment – Any property that is not a qualified investment for the RDSP trust

Prohibited investment – this is property to which the RDSP holder is closely connected, it includes:

- a debt of the holder
- a debt or share of, or an interest in, a corporation, trust or partnership in which the holder has a significant interest (generally a 10% or greater interest, taking into account non-arm's length holdings) and
- a debt or share of, or an interest in, a corporation, trust, or partnership with which the holder does not deal at arm's length

A prohibited investment does not include a mortgage loan that is insured by the Canada Mortgage and Housing Corporation or by an approved private insurer. It also does not include certain investment funds and certain widely held investments which reflect a low risk of self-dealing. For more information see Income Tax Folio S3-F10-C2, Prohibited Investments – RRSPs, RRIFs and TFSA.

Qualified investment – An acceptable investment for an RDSP, including money, guaranteed investment certificates, government and corporate bonds, mutual funds, and securities listed on a designated stock exchange. For more information see Income Tax Folio S3-F10-C1, Qualified Investments – RRSPs, RESPs, RRIFs, RDSPs, and TFSAs.

RDSP holder – the plan holder is the person who opens the RDSP and makes or authorizes contributions on behalf of the beneficiary.

Registered plan strip – the amount of a reduction in the FMV of property held in connection with the RDSP, if the value is reduced as part of a transaction, or event, or a series of transactions, or events for which one of the main purposes is to enable the holder, or a person who does not deal at arm's length with the holder, to obtain a benefit in respect of property held in connection with the RDSP, or to obtain a benefit as a result of the reduction but does not include an amount that is:

- included in the RDSP beneficiary's income (i.e., the taxable portion of a disability assistance payment)
- the non-taxable portion of a disability assistance payment
- a permitted transfer of funds from one RDSP to another

Specified non-qualified investment income – income (excluding the dividend gross-up), or a capital gain that is reasonably attributable, directly or indirectly, to an amount that is taxable for any RDSP of the annuitant (for example, subsequent generation income earned on non-qualified investment income or on income from a business carried on by an RDSP).

Swap transaction – this is any transfer of property between the RDSP and the holder (or a person not at arm's length with the holder) occurring after June 2017, subject to certain exceptions.

The following are **not** considered to be "swap transactions":

- contributions, distributions, and transfers between the RDSP and another RDSP of the same beneficiary
- accumulated income payments rolled over to the RDSP from an RESP on a tax-deferred basis or
- transactions related to insured mortgage loans

An exception is also provided to allow individuals to "swap-out" a non-qualified or prohibited investment provided that the conditions for a refund of the 50% tax on such investments are met. To qualify under this exception, the individual must be entitled to a refund of the tax on disposition of the investment (generally inadvertent cases that are promptly resolved).

Swap transactions that are undertaken to remove an investment from an RDSP that would otherwise result in tax under Part X.01 if left in the plan are permitted to continue to occur until the end of **2021** (until the end of **2027**, if the investment was a prohibited investment held by the RDSP on **March 23, 2017**).

Chapter 1 – What is a registered disability savings plan?

A registered disability savings plan (RDSP) is a savings plan intended to help parents and others save for the long-term financial security of a person who is eligible for the disability tax credit (DTC).

Contributions to an RDSP are not tax deductible and can be made until the end of the year in which the beneficiary turns 59. Contributions that are withdrawn are not included as income to the beneficiary when paid out of an RDSP. However, the Canada disability savings grant (grant), the Canada disability savings bond (bond), investment income earned in the plan, and the proceeds from rollovers are included in the beneficiary's income for tax purposes when paid out of the RDSP. For more information on RDSPs, go to canada.ca/registered-plans-administrators.

What is a Canada disability savings grant?

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

- From birth to December 31 of the year the beneficiary turns 18, 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 turns 19 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 as follows:

Beneficiary's adjusted family net income	Grant	Maximum
\$91,831* or less		
on the first \$500	\$3 for every \$1 contributed	\$1,500
on the next \$1,000	\$2 for every \$1 contributed	\$2,000
more than \$91,831*		
on the first \$1,000	\$1 for every \$1 contributed	\$1,000

* The beneficiary adjusted family net income thresholds are indexed each year to inflation. The income thresholds shown are for 2017.

What is a Canada disability savings bond?

The bond is an amount paid by the Government of Canada directly into an RDSP. The government will pay a bond 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 turns 49.

The amount of the bond is based on the beneficiary's adjusted family net income as follows:

Beneficiary's adjusted family net income	Bond
\$30,000* or less (or if the holder is a public institution)	\$1,000
Between \$30,000* and \$45,916*	Part of the \$1,000 based on the formula in the Canada Disability Savings Act
more than \$45,916*	No bond is paid

* The beneficiary adjusted family net income thresholds are indexed each year to inflation. The income thresholds shown are for 2017.

To qualify for the bond or to earn a grant, the beneficiary must file income tax and benefit returns for the past two years and all future taxation years when he or she has an RDSP.

Carry forward of unused grant and bond

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 the bond programs. ESDC bases the amount of the grant and bond that are available for any particular year on the beneficiary's family income, as well as on matching rates.

Example

Let us take Roger for example:

- He is a person with a disability.
- His income has been less than \$15,000 each year since 2007.
- He has been eligible for the disability tax credit (DTC) each year since 2007.
- He is not, and has never been, a holder or beneficiary of an RDSP.
- He has reached the age of majority and is contractually competent to enter into a plan.

In August 2017, Roger opens an RDSP. Although opened in 2017, Roger's plan has accumulated grant and bond entitlements over the past 10 years, going back to 2008 when RDSPs became available.

The following is a breakdown of Roger's accumulated grant and bond entitlements.

- \$1,500 in grant entitlements per year at the 300% matching rate ($\$1,500 \times 10$ years for a total of \$15,000)
- \$2,000 in grant entitlements per year at the 200% rate ($\$2,000 \times 10$ years for a total of \$20,000)
- \$1,000 in bond entitlements per year ($\$1,000 \times 10$ years for a total of \$10,000)

Upon application for his bond, his RDSP will receive \$10,000 in accumulated bond entitlements.

After the RDSP is opened, with Roger's written consent, his family contributes \$800 to his RDSP in October 2017, for which his RDSP receives \$2,400 ($\$800 \times 300\%$) as a grant.

Roger carries forward \$12,600 ($\$15,000 - \$2,400$) in unused grant entitlement at the 300% rate and still carries \$20,000 in unused grant entitlement at the 200% rate.

Who can become a beneficiary of an RDSP?

You can designate an individual as beneficiary if the individual:

- is eligible for the DTC
- has a valid social insurance number (SIN)
- is a resident of Canada when the plan is entered into and
- is under the age of 60 (a plan can be opened for an individual until the end of the year in which they turn 59). The age limit does not apply when a beneficiary's RDSP is opened as a result of a transfer from the beneficiary's former RDSP

A beneficiary can **only have one RDSP** at any given time, although this RDSP can have **several plan holders** throughout its existence, and it can have **more than one plan holder** at any given time.

Notes

A person is eligible for the DTC only if a medical practitioner (which includes a nurse) certifies on Form T2201, Disability Tax Credit Certificate, that the individual has a severe and prolonged impairment in physical or mental functions. This form must also be approved by the CRA and the person must be deemed to be eligible for the DTC. To get Form T2201, go to canada.ca/disability-tax-credit or call 1-800-959-8281.

The holder does not have to be a resident of Canada. However, the beneficiary must be a resident of Canada when the plan is opened and when each contribution is made to the plan. RDSP payments can only be made to the beneficiary (or to the beneficiary's estate after the beneficiary's death). Contributors will not be entitled to a refund of their contributions.

For more information, go to canada.ca/disability-tax-credit or see Guide RC4064, Disability – Related Information.

How do you open an RDSP?

To open an RDSP, a person who qualifies to be a holder of the plan must contact a participating financial institution that offers RDSPs. These financial institutions are known as RDSP issuers.

Note

The plan **holder** is the person who opens the RDSP and makes or authorizes contributions on behalf of the beneficiary.

Who can open an RDSP?

The beneficiary is under the age of majority

If the beneficiary is under the age of majority, a qualifying person can open an RDSP for the beneficiary and become a holder if that person is:

- a legal parent of the beneficiary
- a guardian, tutor, or curator of the beneficiary, or another individual who is legally authorized to act for the beneficiary or

- a public department, agency, or institution that is legally authorized to act for the beneficiary

The beneficiary has reached the age of majority and is contractually competent to enter into a plan

If the beneficiary has reached the age of majority and is contractually competent to enter into a plan the beneficiary can open an RDSP for themselves.

If the legal parent(s), at the time the plan is established, are holders of a pre-existing RDSP for the adult beneficiary, the legal parent(s) could remain holder(s) of the new plan. The adult beneficiary could also be added as a joint holder along with his or her parents.

The beneficiary has reached the age of majority but his or her contractual competency to enter into a plan is in doubt

The ability for a “qualifying family member” (QFM) to open a plan under these rules applies as of June 29, 2012 and ends on **December 31, 2018**.

A QFM includes a spouse, common-law partner, or parent of an individual.

Note

The spouse or common-law partner is not eligible for this measure if they are living apart from the beneficiary due to a breakdown in their marriage or partnership.

The QFM measure cannot be used if the beneficiary is currently the beneficiary of an existing RDSP or if a qualifying person is authorized to act on behalf of the beneficiary.

A QFM can open an RDSP for the individual and become a holder if, after reasonable inquiry, it is the opinion of the RDSP issuer, that an adult individual’s contractual competency to enter into a plan is in doubt.

A QFM is no longer qualified to be a holder if any of the following apply:

- in the issuer’s opinion, after reasonable inquiry, the beneficiary’s contractual competence to enter into a plan is no longer in doubt and the beneficiary notifies the issuer that he or she chooses to become the plan holder
- the beneficiary is determined to be contractually competent by a competent tribunal or other authority under provincial law and the beneficiary chooses to replace the QFM as the plan holder or
- a legal representative is later named in respect of the beneficiary, the legal representative will then replace the QFM as the plan holder

The RDSP issuer will be required to notify the individual if the individual becomes a beneficiary under an RDSP opened according to these rules.

The beneficiary has reached the age of majority but is not contractually competent to enter into a plan

An individual who is eligible to be a beneficiary of an RDSP, (but for whom a plan has not yet been opened) may have reached the age of majority but may not be contractually competent to enter into a plan.

A qualifying person, who is legally authorized to act for the beneficiary, under the provincial legislation, can open an RDSP for the individual and become a holder.

Can the holder of an RDSP be changed?

When a plan is opened by a beneficiary’s legal parent(s), the legal parent(s) can continue as the holder(s) of the plan after the beneficiary reaches the age of majority. When the beneficiary reaches the age of majority and is contractually competent to enter into a plan, the beneficiary can be added to the RDSP as a joint holder.

The beneficiary is the only one who can be a holder of the plan once he or she has reached the age of majority and is contractually competent to enter into a plan. If a plan is opened by somebody other than the beneficiary or the beneficiary’s legal parent(s), that person or body must be removed as a holder of the plan when the beneficiary reaches the age of majority.

A holder who is not the beneficiary of the plan does not have to be a resident of Canada, but must have a valid SIN or a business number (for public institutions, departments, and agencies) to open the plan.

If the guardian, tutor, public department, or any other qualifying person or body (with the exception of a qualifying family member) is no longer qualified to be a holder (for example they are no longer the legal guardian or have died), they must be removed from the plan as holder. In such a case, the following can be added to the plan as a holder’s successor or assignee:

- the beneficiary (provided that the beneficiary has reached the age of majority and is contractually competent)
- the beneficiary’s estate
- any other person or body who is already a holder (for example, two legal parents enter into an RDSP plan together and one parent passes away; the other parent would receive the deceased parent’s rights and become the sole holder of the plan)
- a legal parent of the beneficiary and was previously a holder of the plan
- a qualifying person at the time the rights are acquired

Who can contribute to an RDSP?

Anyone can contribute to an RDSP with the written permission of the plan holder. For more information, see “Who can open an RDSP?” on the previous page.

What is the contribution limit for RDSPs?

There is no annual limit on amounts that can be contributed to an RDSP of a particular beneficiary in a given year. However, the overall lifetime limit for a particular beneficiary is \$200,000 (all previous contributions and rollovers that have been made to an RDSP of a particular beneficiary will reduce this amount). Contributions are permitted until the end of the year in which the beneficiary turns 59.

Note

Amounts directly transferred from one beneficiary's RDSP to another RDSP for the same beneficiary do not count toward the \$200,000 overall contribution limit.

What types of payments are made from an RDSP?

There are three types of payments made from an RDSP:

- disability assistance payments (DAPs) (these include lifetime disability assistance payments (LDAPs))
- direct transfers to another RDSP for the same beneficiary (for more information, see "Transfers" on page 13) and
- repayments under the Canada Disability Savings Act (CDSA) or a designated provincial program

A **DAP** is any payment from an RDSP to the beneficiary or to his or her estate after his or her death. It is a singular payment that can be requested at any time and may consist of contributions, grant, bond, proceeds from rollovers and income earned in the account.

Only the beneficiary or the beneficiary's estate will be permitted to receive DAPs from the RDSP.

Note

A DAP is not permitted if, after the payment, the FMV of the property held by the RDSP would be less than the assistance holdback amount for the RDSP. For more information, see "Repayments under the CDSA" on this page.

The RDSP issuer may allow the RDSP holder to request DAPs to be made to a beneficiary that are separate from LDAPs (as described below). Contact a participating issuer to determine if it offers plans that allow an RDSP holder to request these types of payments from a plan.

If the RDSP is a **specified disability savings plan (SDSP)** (as described on the next page), withdrawals can be made from the plan in the year of certification and each subsequent year without triggering the repayment of the assistance holdback amount.

LDAPs are disability assistance payments (DAPs) that, once started, must be paid at least annually until either the plan is terminated or the beneficiary has died. These payments must begin by the end of the year in which the beneficiary turns 60 and, unless the year is a specified year (as described below), are subject to an annual withdrawal limit determined by the formula described on this page.

Note

If an RDSP is a SDSP, payments must start being paid from the plan before the end of the calendar year following the year in which the plan last became an SDSP.

A **specified year** is the calendar year in which a licensed medical doctor or a nurse practitioner certifies in writing that the beneficiary will not live longer than five years, and includes each of the five calendar years following the year of certification. A year will not qualify as a specified year unless the medical certificate has been provided to the issuer in or before the year in question. For example, if a doctor makes such a certification in 2016, but the issuer is not provided with the certification until 2017, only the years from 2017 to 2021 are specified years for the RDSP.

If the RDSP is an SDSP, the specified year includes each following calendar year.

Repayments under the CDSA

Under the CDSA, the assistance holdback amount is generally required to be repaid to ESDC if any DAP is paid from the RDSP.

The **assistance holdback amount** is defined in the Canada Disability Savings Regulations. In general terms, it is the total amount of bond and grant paid into the RDSP within the last 10-year period, less any part of that amount that has been repaid to ESDC.

As of January 1, 2014, an amount that is three times the amount of the DAP, up to a maximum of the assistance holdback amount, is required to be repaid to ESDC if any DAP is paid from the RDSP.

LDAP formula

There is no limit on the amount of DAPs or LDAPs payable to the beneficiary in a specified year (if the plan is **not** an SDSP). However, in all cases a DAP is not permitted if, after the payment, the FMV of the property held by the RDSP would be less than the assistance holdback amount for the RDSP.

The total amount of the LDAP paid in the year cannot be more than the amount calculated using the following formula:

$$A \div (B + 3 - C) + D$$

where:

A = the FMV of the property held in the plan at the beginning of the year, (excluding the value of locked-in annuity contracts held by the plan trust)

B = the greater of 80 and the age of the beneficiary at the beginning of the calendar year

C = the actual age of the beneficiary at the beginning of the calendar year

D = the total of all periodic payments paid, or deemed to have been paid, under certain locked-in annuity contracts, to the plan trust in the calendar year, if applicable

Non-taxable portion of a DAP

The **non-taxable portion** of a DAP made to a beneficiary from an RDSP is the lesser of:

- the DAP
- the amount determined by the formula:

$$A \times B \div C + D$$

where:

A = the amount of the DAP

B = the amount by which the total contributions made to any RDSP of the beneficiary exceeds the total non-taxable portion of all DAPs previously made from any RDSP of the beneficiary (if this formula were read without reference to variable D below)

C = the amount by which the FMV of the property held by the RDSP before the DAP is greater than the assistance holdback amount for the plan

D = the amount in respect of which a holder of the plan pays the tax payable on an advantage described on page 18, unless this tax is waived, cancelled or refunded or has previously been included in the non-taxable portion of a DAP made to the beneficiary

Example

Linda earned more than \$91,831 in 2017 and is the sole provider for her spouse Paul, who is 40 years old. She starts contributing to his RDSP in 2017 and Linda contributes \$10,000 annually to Paul's RDSP for 20 years. The contributions made are eligible for the grant at a rate of 100% of the contributions made in the particular year, up to a maximum of \$1,000 annually (see the chart on page 7). Paul is **not** eligible for the bond.

After 20 years, the FMV of the RDSP is \$261,448. Since Paul will be 60 years old in 2037, the grant can be paid on the contributions from 2017 to 2026 (until he turns 49). Contributions can be made to the plan up until the end of the year in which Paul turns 59. No DAPs were paid from the RDSP since the RDSP was set up.

Therefore, in 2037, the amount that Paul can receive is \$10,893.67 calculated by the LDAP formula, which is $A \div (B + 3 - C) + D$:

$$\begin{aligned} & \$261,448 \div (80 + 3 - 59) + \$0 \\ & \$261,448 \div 24 \\ & \$10,893.67 \end{aligned}$$

The non-taxable portion of the LDAP is \$8,333.33 and is calculated by the second formula described on this page:

$$\$10,893.67 \times \$200,000 \div \$261,448$$

Variable B is \$200,000 because no DAPs were made before 2037.

Variable C is \$261,448 because no assistance holdback amount exists since the last grant was paid into the RDSP more than 10 years ago.

What is a specified disability savings plan (SDSP)?

A **specified disability savings plan (SDSP)** is a measure to provide beneficiaries who have **shortened** life expectancy with greater flexibility to access their savings from an RDSP. Withdrawals from an SDSP **will not** trigger a repayment of the assistance holdback amount as long as the sum of the taxable portions of all withdrawals made in the year does not exceed \$10,000 (unless the LDAP formula result requires a greater amount to be paid). However, once the election is made, no more contributions can be made to the plan and the plan will not be entitled to any new grant or bond. Furthermore, beneficiaries **will not** be entitled to carry forward any grant or bond for those years under this plan.

When does an RDSP become an SDSP?

The RDSP becomes an SDSP when:

- a licensed medical doctor or a nurse practitioner certifies in writing that the beneficiary of an RDSP is, in his or her professional opinion, unlikely to survive more than five years
- the holder of the RDSP elects in prescribed form and provides the election, along with the medical certification, to the issuer of the RDSP and
- ESDC receives notification of the election from the issuer

When does a plan stop being an SDSP?

A plan stops being an SDSP if any of the following occur:

- ESDC receives notification from the issuer of the plan that the holder elects to have the plan stop being an SDSP
- the total of the taxable portion of the DAPs made from the plan in the year while it was an SDSP exceeded \$10,000 (unless the LDAP formula result requires a greater amount to be paid). For more information, see the last bullet of this section)
- a contribution, bond, or grant is paid into the plan
- an amount is paid into the plan from a designated provincial program
- the plan is terminated
- the plan stops being an RDSP
- it is the beginning of the first calendar year throughout which the beneficiary under the plan is no longer eligible for the DTC
- payments have not begun to be paid before the end of the particular calendar year following the year in which the plan last became an SDSP
- an RESP rollover is made

- the total amount of DAPs made from the plan to the beneficiary in the calendar year is less than the amount determined by the LDAP formula or an amount equal to the fair market value of the property in the plan, whichever is the lesser

Note

The holder must wait 24 months after the plan stopped being an SDSP before making a new election.

Additional rules if the RDSP is a primarily government-assisted plan (PGAP) in the year

An RDSP becomes a PGAP in a year when the total of all government grant and bond payments made into any of the beneficiary's RDSPs in the previous years is more than the total of all private contributions made to any of the beneficiary's RDSPs in the previous years.

Generally, in a PGAP year (other than a specified year), the DAPs (including LDAPs) must not exceed the greater of the LDAP formula and 10% of the FMV of the plan assets at the beginning of the year. Certain DAPs made following, and as a consequence of, a transfer of property from another RDSP of the beneficiary do not count toward this limit on DAPs.

In any year where the beneficiary is over the age of 59, the LDAP will not be more than the LDAP **formula**. In a PGAP year, the combination of LDAPs and DAPs must not exceed the greater of the LDAP formula and 10% of the FMV of the plan assets at the beginning of the year.

When the beneficiary turns 28 (or any later age up to, and including, the age of 58) during the calendar year, the beneficiary has the right to direct that DAPs be paid to him or her at any time in that year if, after payment, the FMV of the property in the RDSP is not less than the assistance holdback amount for the RDSP. The DAP that can be paid under these circumstances cannot be more than the calculated allowable amount. With the exception of plans where the beneficiary is over the age of 59, a DAP made in any other year may require that the assistance holdback amount be repaid to ESDC.

How are payments from an RDSP reported?

Proceeds from rollover amounts as well as the grant, bond and investment income earned in the plan are included in the beneficiary's income for tax purposes when they are paid out of the RDSP. RDSP issuers report the taxable portions of the payments from the plan in box 131, located in the "Other information" area of a T4A slip and send two copies of the slip to the beneficiary or the beneficiary's legal representative. The beneficiary has to include this amount as income on line 125 of his or her income tax and benefit return for the year in which he or she receives it.

For more information on the taxable portion of the payments see "Tax payable on DAPs" on page 15.

Transfers

An amount can be transferred from one RDSP to another RDSP **only** under the following conditions:

- the transfer must be made directly from a beneficiary's current RDSP to a new RDSP for the same beneficiary
- a transfer can only be made if all holders of the current RDSP agree to the transfer
- all funds must be transferred from the current RDSP to the new RDSP
- the current RDSP must be terminated immediately following the transfer
- where the beneficiary has attained 59 years of age before the year in which the transfer takes place, the issuer of the new plan agrees to pay any DAPs required to be made under the plan

Rollovers

Rolling over retirement savings property on a tax-deferred basis to an RDSP

The maximum rollover amount into an RDSP is \$200,000. All contributions and rollover amounts made to any RDSP of a beneficiary will reduce this amount. A grant will not be paid into the RDSP on amounts that are rolled over.

For deaths occurring after March 3, 2010, the RDSP rules allow for a rollover of a deceased individual's registered retirement savings plan (RRSP) proceeds to an RDSP of the deceased individual's financially dependent child or grandchild with an impairment in physical or mental functions. For more information, see "Eligible individual" on the next page.

These rollover rules also apply to:

- registered retirement income fund (RRIF) proceeds
- certain lump-sum amounts paid from registered pension plans (RPPs) and specified pension plans (SPPs)
- pooled registered pension plans, (PRPPs) proceeds

RDSP rollover reporting

The retirement savings rollover transaction must be documented using Form RC4625, Rollover to a Registered Disability Savings Plan (RDSP) Under Paragraph 60(m) or the form provided by the RDSP issuer. A tax slip will be issued (for example, T4A, T4RSP, T4RIF, etc.). The amount of the retirement savings rollover is reported and deducted on the eligible individual's income tax and benefit return. In some cases, the amount may also need to be reported and deducted in the deceased individual's final return.

For more information on how rollovers should be reported, see "Transfers to registered disability savings plans" in Guide T4040, RRSP and Other Registered Plans for Retirement.

Notes

These rules apply to retirement savings rollovers only. Education savings rollovers are recorded on Form RC435, Rollover from a Registered Education Savings Plan to a Registered Disability Savings Plan or another

form provided by the RESP promoter. Tax slips are not issued for education savings rollovers.

RDSP issuers may produce and use their own method of documentation for education savings rollovers.

The retirement savings rollover to an RDSP:

- will be considered a private contribution for the purpose of determining whether the RDSP is a PGAP, but will not be eligible for grants
- will be included in the taxable portions of RDSP withdrawals made to the beneficiary
- may not exceed, and will reduce the RDSP contribution lifetime limit

Eligible individual

An eligible individual is a child or grandchild of a deceased annuitant under an RRSP or RRIF, or of a deceased member of an RPP or SPP or PRPP, who was financially dependent on the deceased for support, at the time of the deceased's death, by reason of an impairment in physical or mental functions. The eligible individual must also be the beneficiary under the RDSP into which the eligible proceeds will be paid.

Rolling over RESP property on a tax-deferred basis to an RDSP

Rollovers can be made from an RESP to an RDSP. In general terms, a subscriber of an RESP that allows accumulated income payments and a holder of an RDSP may jointly elect to rollover an accumulated income payment under the RESP to the RDSP if, at the time of the election, the RESP beneficiary is also the beneficiary under the RDSP.

To qualify for an RESP rollover, the beneficiary must meet the existing age and residency requirements in relation to RDSP contributions. As well, **one** of the following conditions must be met:

- the beneficiary is, or will be, unable to pursue post-secondary education because he or she has a severe and prolonged mental impairment or
- the RESP has been in existence for more than 35 years or
- the RESP has been in existence for at least 10 years, each beneficiary under the RESP has reached 21 years of age and is not eligible to receive educational assistance payments

An RESP rollover over to an RDSP will not be subject to regular income tax or the additional 20% tax, for more information, see Form T1172, Additional Tax on Accumulated Income Payments from RESPs. The RESP promoter must send Form RC435, Rollover from a Registered Education Savings Plan to a Registered Disability Savings Plan to the RDSP issuer and keep a copy of it on file. This will satisfy the RESP promoter's requirement to file the election with CRA.

When an RESP rollover occurs, contributions in the RESP will be returned to the subscriber on a tax-free basis. As well, Canada education savings grants (CESGs) and Canada learning bonds (CLBs) in the RESP will be required

to be repaid to ESDC and the RESP terminated by the end of February of the year after the year during which the rollover is made.

The RESP rollover to an RDSP:

- will be considered a private contribution for the purpose of determining whether the RDSP is a PGAP, but will not be eligible for grants
- will be included in the taxable portions of RDSP withdrawals made to the beneficiary
- may not exceed, and will reduce the RDSP contribution lifetime limit.

An RESP rollover cannot be made if the beneficiary meets one of the following conditions:

- is not eligible for the DTC
- has died
- is over 59 years of age in the year of the contribution or
- is not a resident of Canada

An RESP rollover cannot be made if:

- it will cause the \$200,000 contribution limit to be exceeded or
- the RDSP holder has not provided their consent to the rollover

What happens if the beneficiary is no longer eligible for the DTC?

Unless an election is filed with the issuer, the RDSP **must** be terminated and all amounts paid out of the plan by December 31st of the year **following** the first calendar year throughout which the beneficiary is no longer considered to have a severe or prolonged impairment in physical or mental functions that made him or her eligible for the DTC. Any funds remaining in the RDSP after any required repayments of government grant and bond will be paid to the beneficiary. The taxable portions of the DAP will be included in the income of the beneficiary in the year the payment is made to the beneficiary.

A beneficiary who stops being eligible for the DTC, might, due to the nature of their medical condition, be eligible again for the DTC for some later year. **Since January 1, 2014**, subject to Election conditions discussed below, an election may be made if the RDSP holder wishes to postpone closing the plan. In these circumstances, contribution room and repaid grants and bonds are not restored.

Election

The RDSP plan holder will be required to:

- have a licensed medical doctor or a nurse practitioner certify in writing that the beneficiary will likely become eligible for the DTC at some point in the future
- make an election to keep the plan open by providing the medical certificate to the issuer

The RDSP issuer will then be required to notify ESDC that the election has been made. The election must be made on

or before December 31st of the year following the first year for which the beneficiary is no longer eligible for the DTC.

An election will generally be valid until the end of the fourth calendar year following the first full calendar year for which a beneficiary is no longer eligible for the DTC.

The RDSP must be terminated by:

- the end of the year following the first year for which there is no longer a valid election or
- the end of the year following the 5th year where there is no longer a continuous eligibility for the DTC

If a beneficiary becomes eligible for the DTC while an election is valid, the usual RDSP rules will apply commencing with the year for which the beneficiary becomes eligible.

Results of an election when the beneficiary is no longer eligible for the DTC

Where an election is made, the following rules will apply commencing with the first year for which the beneficiary is DTC-ineligible:

- no contributions to the RDSP will be permitted, including the rollover of RESP investment income; however, a rollover of proceeds from a deceased individual's RRSP or RRIF to the RDSP of a financially dependent infirm child or grandchild will still be permitted
- no new grant, bond, or designated provincial payments will be paid into the RDSP
- no new entitlements will be generated for the purpose of the carry forward of grants and bonds
- withdrawals from the RDSP will be permitted and will be subject to the proportional repayment rule and the maximum and minimum withdrawal rules
- if a beneficiary dies after an election has been made, the former 10-year repayment rule will apply

Note

The assistance holdback amount will be equal to the amount of the assistance holdback amount immediately preceding the moment the beneficiary is no longer eligible for the DTC less any subsequent repayments.

For more information on how much the repayment will be, contact the issuer of your RDSP or go to Employment and Social Development Canada (ESDC) at esdc.gc.ca.

What happens if the beneficiary dies?

The RDSP **must** be closed and all amounts remaining in the plan must be paid out to the beneficiary's estate by December 31st of the year **following** the calendar year in which the beneficiary dies. Any funds remaining in the RDSP, after any required repayment of government grants and bonds will be paid to the estate. If a DAP had been made and the beneficiary is deceased, the taxable portion of the DAP must be included in the income of the beneficiary's estate in the tax year in which the payment is made.

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 a RDSP
- prior to 2014, a 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 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 an SDSP 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, 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 go to Employment and Social Development Canada (ESDC) at esdc.gc.ca.

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.

Chapter 2 – Tax payable

Tax payable on DAPs

When a DAP is made from an RDSP, the part of the payment that includes proceeds from a rolled over amount, the grants and bonds paid into the plan, and all investment income earned in the RDSP, such as interest, is taxable.

That part of the payment is included in the income of the beneficiary for the year in which the payment is made. If the beneficiary is deceased when the payment is made, the amount is included in the income of the beneficiary’s estate for the year of the payment.

Note

The taxable portion (or RDSP income) is excluded from income when calculating various income-tested benefits, such as the GST/HST credit, the Canada child benefit (CCB), and the Working income tax benefit (WITB). It is also excluded when calculating the social benefit repayment and the refundable medical expense supplement.

Tax deduction at source

RDSP issuers will have to withhold income tax at source once the taxable portion of a beneficiary’s **DAPs** and **LDAPs** exceed the total of the two non-refundable tax credits (NRTCs), the basic personal amount (BPA) and the disability amount (DA).

NRTCs help to reduce a taxpayer’s total income tax liability at the end of the year. There are many federal and provincial NRTCs that individuals may be eligible to claim when filing their personal income tax and benefit returns. However, only the federal BPA (\$11,635 in 2017) and federal DA (\$8,113 in 2017) are to be used to calculate the taxable income from which to withhold income tax at source. This is because all RDSP beneficiaries are eligible for these two NRTCs.

Using the chart on this page, with the 2017 tax year for example, a beneficiary can receive up to \$19,748 (BPA of \$11,635 + DA of \$8,113) in taxable DAPs and LDAPs before the RDSP issuer has to withhold income tax at source. For the 2016 tax year, this amount was \$19,475.

Withholding threshold		
Year	2017	2016
Federal Basic Personal Amount (BPA)	\$11,635	\$11,474
Federal Disability Amount (DA)	\$8,113	\$8,001
Total	\$19,748	\$19,475

Once this amount is reached, income tax must be deducted from the taxable portion of all remaining payments in the year using the lump-sum tax withholding rate displayed below.

Note

NRTCs are adjusted annually to allow for inflation and other factors.

The taxable portion of a beneficiary’s DAPs and LDAPs are the total of:

- the Canada disability savings grants
- the Canada disability savings bonds
- the investment income earned in the plan, such as interest
- proceeds from rollovers of other plans (RRSPs or RESPs for example)

Note

Individual or private contributions, and effective **March 23, 2017**, an amount in respect of which a holder of the plan pays the advantage tax described on page 18 (unless this tax is waived, cancelled or refunded, or has previously been included in the non-taxable portion of a DAP made to the beneficiary) are not taxable.

RDSP issuers will use the lump-sum withholding rate that corresponds to the:

- total taxable portion of all LDAPs expected to be paid in the year, or
- taxable portion of each individual DAP when requested

The lump-sum withholding rates are:

- 10% (5% for Quebec) on amounts up to and including \$5,000
- 20% (10% for Quebec) on amounts over \$5,000, and up to \$15,000
- 30% (15% for Quebec) on amounts over \$15,000

Note

The above rates are a blend of the federal and provincial rates. The Quebec rates represent only the federal rates. For more information on the provincial rates for the

province of Quebec, go to finances.gouv.qc.ca and see section 1.3 of Information Bulletin 2015-4.

Example (LDAP)

Joey received an LDAP of \$3,500 per month from his RDSP in 2017 or \$42,000 ($\$3,500 \times 12$) for the year. The taxable portion of each monthly LDAP was \$2,000 for a yearly total of \$24,000 ($\$2,000 \times 12$). The lump-sum withholding rate on \$24,000 is 30%.

Joey's RDSP issuer reduced the total BPA and DA (\$19,748) by the taxable part of each LDAP as it was paid and by the end of September, \$18,000 ($\$2,000 \times 9$) of the \$19,748 had been used.

In October, his RDSP issuer reduced his LDAP of \$2,000 by the remaining BPA and DA of \$1,748 ($\$19,748 - \$18,000$) and deducted \$75.60 in income tax from the difference calculated as $(\$2,000 - \$1,748) \times 30\%$. Joey also had income tax deducted from his November and December LDAPs of \$600 ($\$2,000 \times 30\%$) per month.

In summary, in 2017, Joey received \$42,000 in LDAPs and had \$1,275.60 income tax deducted (October payment of \$75.60 + \$1,200 [\$600 for both November and December]).

Example (DAP)

Using the previous example, Joey received a DAP of \$10,000 at the end of July. The taxable portion of that DAP was \$6,000. The lump-sum withholding rate on \$6,000 is 20%.

Remember that Joey's RDSP issuer reduced the total BPA and DA (\$19,748) by the taxable portion of each LDAP when they were paid. After paying Joey his July LDAP, \$14,000 ($\$2,000 \times 7$) of the \$19,748 had been used.

Since Joey's remaining BPA and DA is \$5,748 ($\$19,748 - \$14,000$) his RDSP issuer deducted \$50.40 in income tax calculated as $(\$6,000 - \$5,748) \times 20\%$. Joey also had \$600 ($\$2,000 \times 30\%$) in income tax deducted from his August to December LDAPs.

In summary, in 2017, Joey received \$42,000 in LDAPs and had \$3,000 ($\600×5) in income tax deducted. He also received a DAP of \$10,000 with \$50.40 in income tax deducted. The total tax deducted was \$3,050.40.

Tax payable on prohibited investments

If the RDSP acquires a prohibited investment (or an investment held by the plan becomes prohibited investment) after **March 22, 2017**, the investment will be subject to a tax equal to 50% of the fair market value of the investment at the time it was acquired or it became prohibited you must file Form RC339, Individual Return for Certain Taxes for RRSPs, RRIFFs, RESPs or RDSPs. The Form RC339 must be filed, with a payment for any balance due, no later than June 30 following the end of the calendar year.

If the prohibited investment ceases to be a prohibited investment while it is held by the trust, the trust is considered to have disposed of and immediately re-acquired the property at its FMV. If an investment is both a non-qualified investment and a prohibited investment, it is treated as a prohibited investment only.

The tax is refundable in certain circumstances. For more information, see "Refund of tax" on this page.

The 100% advantage tax applies to income earned and the portion of any capital gains accrued after **March 22, 2017**, regardless of when the prohibited investment generating the income or gain was acquired. For more information, see "Tax payable on an advantage" on page 18.

Refund of tax

If you disposed of a prohibited investment, reported or previously reported in Parts A and B of Form RC339, Individual Return for Certain Taxes for RRSPs, RRIFFs, RESPs or RDSPs you may be entitled to a refund of taxes paid if:

- the RDSP trust disposes of the property in question before the end of the calendar year following the calendar year in which the tax arose or
- the property ceases to be a prohibited investment before the end of the calendar year following the calendar year in which the tax arose

However, no refund will be issued if it is reasonable to expect that the holder knew, or should have known, at the time the property was acquired by the RDSP trust, that the property was, or would become a prohibited investment.

Note

If you disposed of a prohibited investment reported in Parts A and B in the same calendar (tax) year that the prohibited investment was acquired, then remittance of the tax is not required. However, remittance of the tax is required if it is reasonable to expect that the holder knew, or should have known, at the time the property was acquired by the RDSP trust, that the property was, or would become a prohibited investment.

How to claim a refund

If more than one person is entitled to a refund in the calendar year of the year of the disposition of a property, the total of all amounts refundable for the year shall not exceed the amount that would have been refundable if there was only one holder. If the holders cannot agree as to what portion of the refund each holder can claim then the CRA will decide on the amount each person will receive.

To claim a refund, you must:

- send a letter explaining why you are requesting a refund
- attach the appropriate documents detailing the information relating to the acquisition and disposition of the prohibited property

The documents must contain the following:

- name and description of the property
- names of all the holders along with a breakdown on how much of a portion each will get
- number of shares or units
- date the property was acquired or became prohibited property

- date of the disposition or the date that the property ceased to be prohibited

Tax payable on non-qualified investments

A tax is payable for a calendar year in which the trust of an RDSP acquires property that is not a qualified investment, or, the property within the RDSP becomes a non-qualified investment.

Obligations of the RDSP issuer

The issuer of an RDSP must minimize the possibility that a trust governed by the plan holds a non-qualified investment. If the issuer fails to comply with this obligation, the issuer is liable to a penalty. After **March 22, 2017**, the issuer will also be required to notify the holder of the RDSP before March of a calendar year, if at any time in the preceding year the RDSP trust acquired or began to hold a non-qualified investment.

Amount of tax payable

The amount of tax payable for a non-qualified investment is:

- for property acquired that is non-qualified investment, 50% of the FMV of the property when it was acquired
- for property that ceased to be a qualified investment, 50% of the FMV of the property immediately before it stopped being a qualified investment for the trust

Each person who is a holder of an RDSP is jointly liable for the tax.

Each person who is a holder is also liable for the 100% advantage tax on specified non-qualified investment income if this income is not withdrawn promptly.

Note

Income earned and capital gains realized by an RDSP trust on non-qualified investments will continue to be taxable to the trust, regardless of when the investment was acquired. If an investment is both a non-qualified investment and a prohibited investment, it is treated as a prohibited investment only and the trust is not subject to tax on the investment earnings.

Payment of tax

If the RDSP holder is liable for taxes on non-qualified investments for transactions occurring on or before **March 22, 2017**, the holder must file Form RC4532, Individual Tax Return for Registered Disability Savings Plan (RDSP), with a payment for any balance no later than 90 days following the end of the calendar year. If the RDSP holder is liable for taxes on non-qualified investments for RDSP transactions occurring after **March 22, 2017**, the holder files Form RC339, Individual Return for Certain Taxes for RRSPs, RRIFs, RESPs or RDSPs, with a payment for any balance due no later than **June 30** following the end of the calendar year.

Refund of tax

If the RDSP trust disposes of the non-qualified investment before the end of the calendar year following the calendar year in which the tax arose, the persons who are liable for the tax may be entitled to a refund of the lesser of:

- the amount of the tax paid
- the proceeds of disposition of the property

However, no refund will be issued if it is reasonable to expect that those persons knew or should have known when the property was acquired by the RDSP trust that the property was, or would become, a non-qualified investment.

Note

If you disposed of a non-qualified investment reported in Parts A and B in the same calendar (tax) year that the non-qualified investment was acquired, then remittance of the tax is not required. However, remittance of the tax is required if it is reasonable to expect that the holder knew, or should have known, at the time the property was acquired by the RDSP trust, that the property was, or would become a non-qualified investment.

How to claim a refund

If more than one person is entitled to a refund in the calendar year of the year of the disposition of the non-qualified investments, the total of all amounts refundable for the year shall not exceed the amount that would have been refundable if there was only one holder. If the holders cannot agree as to what portion of the refund each holder can claim then the CRA will decide on the amount each person will receive.

To claim a refund, you must:

- send a letter explaining why you are requesting a refund
- attach the appropriate documents detailing the information relating to the acquisition and disposition of the non-qualified investments

The documents must contain the following:

- name and description of the non-qualified investments
- names of all the holders along with a breakdown on how much of a portion each will get
- number of shares or units
- date the non-qualified investments was acquired or became a non-qualified investments
- date of the disposition or the date that the non-qualified investments ceased to be a non-qualified investments

Tax payable on an advantage

A tax is payable for a calendar year if, in the year, an advantage for an RDSP is extended to any person who is, or does not deal at arm's length with a beneficiary under, or a holder of, the plan.

Effective after **March 22, 2017**, the tax is only payable for a calendar year if an advantage is extended to any person who is, or does not deal at arm's length with, a holder of the plan.

Amount of tax payable

The amount of tax payable for an advantage (effective after **March 22, 2017**) is:

- in the case of a benefit, the FMV of the benefit
- in the case of a loan or an indebtedness, the amount of the loan or indebtedness
- effective after **March 22, 2017**, in the case of a registered plan strip, the amount of the registered plan strip

Payment of tax

Each person who is a holder of an RDSP is jointly liable for the tax. Where two or more holders of an RDSP are jointly liable to pay the tax, Form RC4532, Individual Tax Return for Registered Disability Savings Plan (RDSP) must be filed with a payment for any balance due no later than 90 days after the end of the calendar year. Only one Form RC4532 needs to be filed on behalf of all the holders that are liable for the tax.

For taxes payable on an advantage after **March 22, 2017**, you must file using form RC339, Individual Return for Certain Taxes for RRSPs, RRIFs, RESPs or RDSPs, with a payment for any balance due no later than June 30 of the year following the end of the calendar year.

Note

When an advantage is extended by the issuer of an RDSP, the issuer, and not the holder, is liable for the tax. If the RDSP issuer is liable for this tax before **March 23, 2017**, the issuer must file a T3GR, Group Income Tax and Information Return for RRSP, RRIF, RESP, or RDSP Trusts. After **March 22, 2017**, the issuer must file the RC298, Advantage Tax for RRSP, TFSA, RDSP, or RESP issuers or RRIF carriers with a payment for any balance due no later than June 30 of the year following the end of the calendar year.

Tax payable for inadequate consideration

The tax payable for inadequate consideration is repealed effective after **March 22, 2017**. Where an RDSP trust disposes of a property for an amount less than its FMV, or acquires a property for an amount greater than its FMV, after **March 22, 2017**, this will be a registered plan strip and subject to the tax payable on an advantage described on this page.

This tax applies to a calendar year if, in the year (for 2017, in the year and before **March 23, 2017**), an RDSP trust:

- disposes of property for an amount less than the FMV of the property at the time of the disposition, or for no amount at all or
- acquires property for an amount greater than the FMV of the property at the time of acquisition

The holder of an RDSP is liable for the tax. If there is more than one holder of the RDSP, they are jointly liable for the tax.

Amount of tax payable

The amount of tax payable for each disposition or acquisition is:

- the amount by which the FMV differs from the consideration or
- if there is no consideration, the amount of the FMV

Payment of tax

If the holder of an RDSP is liable for this tax on or before **March 22, 2017**, the holder must file Form RC4532, Individual Tax Return for Registered Disability Savings Plan (RDSP), with a payment for any balance no later than 90 days after the end of the calendar year.

Tax payable on use of property as security

The tax payable for use of property as security is repealed effective after **March 22, 2017**.

Every issuer of an RDSP shall pay a tax for a calendar year if, in the year, with the consent or knowledge of the issuer, an RDSP trust uses or permits to be used any property held by the trust as security for indebtedness of any kind.

The issuer must file a T3GR, Group Income Tax and Information Return for RRSP, RRIF, RESP, or RDSP Trusts. This applies to transactions or events occurring on or before **March 22, 2017**.

Amount of tax payable

The amount of tax payable is equal to the FMV of the property when the property started being used as security.

Exceptions

The advantage rules will not apply to benefits related to a swap transaction if the transaction:

- after 2021, in relation to a swap transaction undertaken to remove a property from an RDSP if it is reasonable to conclude that tax would be payable under Part XI.01 of the Act if the property were retained in the RDSP
- after 2027, in relation to a swap transaction undertaken to remove a transitional prohibited property from an RDSP if it is reasonable to conclude that tax would be payable under Part XI.01 of the Act if the property were retained in the RDSP
- in any other case, after June 2017

Notes

A swap transaction is any transfer of property between a registered plan and its annuitant or holder (or a non-arm's length person), subject to certain exceptions. A swap transaction does not include contributions to, and withdrawals from, a registered plan if the advantage is extended by the issuer of an RDSP, or a person with whom the issuer is not dealing at arm's length, the issuer, and not the holder of the RDSP, is liable to pay the tax resulting from the advantage.

The RDSP issuer must file Form RC298, Advantage Tax for RRSP, TFSA, RDSP, or RESP issuers or RRIF carriers, with a payment for any balance due no later than **June 30** of the year following the end of the calendar year.

Waiver of liability or cancellation

We may waive or cancel all or part of any of the taxes described in this publication if we determine it is fair to do so after reviewing all factors, including whether:

- the tax arose because of a reasonable error
- the extent to which the transaction or series of transactions that gave rise to another tax described in this publication
- the extent to which payments have been made from the RDSP

To consider your request, you will need to send us a letter that explains why the tax liability arose, and why it would be fair to cancel or waive all or part of the tax owed.

Online services

My Account

The CRA's My Account service is fast, easy, and secure.

Use My Account to:

- view your benefit and credit payment amounts and dates
- view your notice of assessment
- change your address, direct deposit information, and marital status
- sign up for account alerts
- check your TFSA contribution room and RRSP deduction limit
- check the status of your tax return
- request your proof of income statement (option 'C' print)
- link between your CRA My Account and My Service Canada Account

How to register

For information, go to canada.ca/guide-my-cra-account.

Sign up for online mail

Sign up for the CRA's online mail service to get most of your CRA mail, like your notice of assessment online.

For more information, go to canada.ca/taxes-online-mail.

MyCRA – Mobile app

Use MyCRA throughout the year to:

- view the amounts and dates of your personal benefit and credit payments
- check your TFSA contribution room
- change your address, direct deposit information, and marital status
- let us know if a child is no longer in your care
- sign up for online mail and account alerts
- request your proof of income statement (option "C" print)

Getting ready to file your income tax and benefit return?

Use MyCRA to:

- check your RRSP deduction limit
- look up a local tax preparer
- see what tax filing software the CRA has certified

Done filing? Use MyCRA to:

- check the status of your tax return
- view your notice of assessment

For more information, go to canada.ca/cra-mobile-apps

MyBenefits CRA mobile app

Get your benefit information on the go! Use MyBenefits CRA mobile app throughout the year to:

- view the amounts and dates of your benefit and credit payments, including any provincial or territorial payments
- view the status of your application for child benefits
- change your address, phone number, and marital status
- let us know if a child is no longer in your care
- sign up for online mail and account alerts

To get more information, go to canada.ca/cra-mobile-apps.

Electronic payments

Make your payment using:

- your financial institution's online or telephone banking services
- the CRA's My Payment service at canada.ca/my-cra-payment or
- pre-authorized debit at canada.ca/guide-my-cra-account

For more information on all payment options, go to canada.ca/my-cra-payment.

For more information

What if you need help?

If you need more information after reading this guide, visit canada.ca/taxes or call 1-800-959-8281.

Forms and publications

To get our forms and publications, go to canada.ca/cra-forms or call 1-800-959-8281.

Electronic mailing lists

The CRA can notify you by email when new information on a subject of interest to you is available on the website. To subscribe to the electronic mailing lists, go to canada.ca/cra-email-lists.

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

If you have a hearing or speech impairment and use a TTY, call 1-800-665-0354.

If you use an **operator-assisted relay service**, call our regular telephone numbers instead of the TTY number.

Service complaints

You can expect to be treated fairly under clear and established rules, and get a high level of service each time you deal with the CRA. See the Taxpayer Bill of Rights.

If you are not satisfied with the service you received, try to resolve the matter with the CRA employee you have been dealing with or call the telephone number provided in the CRA's correspondence. If you do not have contact information, go to canada.ca/cra-contact.

If you still disagree with the way your concerns were addressed, you can ask to discuss the matter with the employee's supervisor.

If you are still not satisfied, you can file a service complaint by filling out Form RC193, Service-Related Complaint. For more information and how to file a complaint, go to canada.ca/cra-service-complaints.

If the CRA has not resolved your service-related complaint, you can submit a complaint with the Office of the Taxpayers' Ombudsman.

Reprisal complaint

If you believe that you have experienced reprisal, fill out Form RC459, Reprisal Complaint.

For more information about reprisal complaints, go to canada.ca/cra-reprisal-complaints.

Tax information videos

We have a number of tax information videos for individuals on topics such as the income tax and benefit return, the Canadian tax system, and tax measures for persons with disabilities. To watch our videos, go to canada.ca/cra-video-gallery.

Related forms and publications

Forms

5000-G	T1 General – Income Tax and Benefit Return
RC193	Service-Related Complaint
RC298	Advantage Tax for RRSP, TFSA, RDSP or RESP issuers or RRIF carriers
RC339	Individual Return for Certain Taxes for RRSPs, RRIFs, RESPs or RDSPs
RC459	Reprisal Complaint
RC435	Rollover from a Registered Education Savings Plan to a Registered Disability Savings Plan
RC4532 Disability	Individual Tax Return for Registered Savings Plan (RDSP)
RC4625	Rollover to a Registered Disability Savings Plan (RDSP) under Paragraph 60(m)
T3GR	Group Income Tax and Information Return for RRSP, RRIF, RESP, or RDSP Trusts

T2201	Disability Tax Credit Certificate
T1172	Additional Tax on Accumulated Income Payments from RESPs

Publications

IC07-1	Taxpayer Relief Provisions
RC4420	Information on CRA – Service Complaints
RC4064	Disability – Related Information

Income Tax Folio

S1-F1-C2	Disability Tax Credit
S3-F10-C1	Qualified Investments – RRSPs, RESPs, RRIFs, RDSPs and TFSAs