



Registered Disability Savings Plan

What is a registered disability savings plan?

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

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 Contributions that are withdrawn are not included in income for the beneficiary when they are paid out of an RDSP. However, the Canada disability savings grant, the Canada disability savings bond, investment income earned in the plan, and rollover amounts are included in the beneficiary's income for tax purposes when they are paid out of the RDSP. For more information on RDSPs, go to www.cra.gc.ca/rpd.

What is a Canada disability savings grant?

A Canada disability savings grant (grant) is an amount that the Government of Canada contributes to an RDSP. The Government will pay matching grants of 300, 200, or 100 percent, depending on the beneficiary's family income and the amount contributed. The beneficiary's family income is calculated as follows:

- From birth to December 31 of the year the beneficiary turns 18, the beneficiary's family income is based on the income information used to determine the Canada child tax benefit (CCTB) for that beneficiary.
- Beginning the year the beneficiary turns 19 until the RDSP is closed, the beneficiary's family income is based on his or her income **plus** his or her spouse's, or common-law partner's income. To qualify for the bond or to earn a grant, the beneficiary must file income tax returns for the past two years and all future taxation years when he or she has an RDSP.
- If the beneficiary is under the care of a department, agency, or institution for at least one month in the year, the grant 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 grant can be paid into an RDSP on contributions made to the beneficiary's RDSP until December 31 of the year the beneficiary turns 49.

The amount of the grant is based on the beneficiary's family income as follows:

Beneficiary's family income	Grant	Maximum
\$87,123* 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 \$87,123*		
on the first \$1,000	\$1 for every \$1 contributed	\$1,000

* The beneficiary family income thresholds are indexed each year to inflation. The income thresholds shown are for 2013.

What is a Canada disability savings bond?

A Canada disability savings bond (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 turns 49.

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

Beneficiary's family income	Bond
\$25,356* or less (or if the holder is a public institution)	\$1,000
Between \$25,356* and \$43,561*	Part of the \$1,000 based on the formula in the Canada Disability Savings Act
more than \$43,561*	No bond is paid

* The beneficiary family income thresholds are indexed each year to inflation. The income thresholds shown are for 2013.



Since 2011, you can carry forward unused grant and bond entitlements to future years. The carry forward period can only start after 2007 and lasts for 10 years. Grants and bonds will be paid on unused entitlements up to an annual maximum of \$10,500 for grants and \$11,000 for bonds.

Employment and Social Development Canada (ESDC) administers the Canada disability savings grant and the Canada disability savings 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.

Example

Roger, a person with a disability who has low income and has been eligible for the disability tax credit his entire life, opens an RDSP in 2013.

For each year (2008, 2009, 2010, 2011, 2012 and 2013) in which Roger was disabled, but had no RDSP, he has accumulated:

- \$500 in grant entitlements at the 300% matching rate (for a total of \$3,000);
- \$1,000 in grant entitlements at the 200% rate (for a total of \$6,000); and
- \$1,000 in bond entitlements (for a total of \$6,000).

When Roger opens an RDSP in 2013, his RDSP will automatically get \$6,000 in bond entitlement.

After the RDSP is opened, Roger's family contributes \$400 to his plan in 2013, for which his RDSP receives \$1,200 ($400 \times 300\%$) in grants. Roger carries forward \$2,600 ($\$3,000 - \400) in unused grant entitlement at the 300% rate and \$6,000 in unused grant entitlement at the 200% rate.

As Roger is the plan holder, Roger must give written permission to his family members prior to making a contribution to his plan.

Who can become a beneficiary of an RDSP?

You can designate an individual as beneficiary if the individual:

- is eligible for the disability tax credit (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 licensed medical doctor 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 Canada Revenue Agency (CRA) and the person must be deemed to be eligible for the disability tax credit. To get Form T2201, go to www.cra.gc.ca/disability or call 1-800-959-8281.

Since 2010, an individual can request that the Minister of National Revenue make a determination as to his or her eligibility for the disability tax credit. We will send the individual a notice of determination.

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 www.cra.gc.ca/disability or see Guide RC4064, *Medical and 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 **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, another individual 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 legally able to enter into a contract

If the beneficiary has reached the age of majority and is legally able to enter into a contract, an RDSP can be established for such a beneficiary by the beneficiary.

If a legal parent is, at the time the plan is established, a holder of a pre-existing RDSP for the adult beneficiary, the legal parent may become the sole holder of the plan or a joint holder of the plan with the beneficiary.

The beneficiary has reached the age of majority but whose legal ability to enter into a contract is in doubt.

The ability for a “qualifying family member” to open a plan under these rules applies as of June 29, 2012 and ends on December 31, 2016. These rules will not apply if an RDSP has already been opened for a beneficiary or if an entity or other individual, including a legal representative, is authorized to act on behalf of the beneficiary.

A “qualifying family member” can open an RDSP for the individual and become a holder if, after reasonable inquiry, it is the opinion of a financial institution that offers RDSPs (RDSP issuer), that an adult individual’s ability to enter into a contract is in doubt.

A “qualifying family member” 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.

A “qualifying family member” 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 qualifying family member as the plan holder; or
- a legal representative is later named in respect of the beneficiary, the legal representative will then replace the qualifying family member 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 legally able to enter into a contract

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

A qualified person, who is legally authorized to act for the beneficiary, 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 holder(s) of the plan after the beneficiary reaches the age of majority. When the beneficiary becomes an adult and is legally able to enter into a contract, the beneficiary can be added to the RDSP as

a joint holder if the plan terms allow for the assignment of these rights.

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 legally able to enter into a contract. 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 business number (for public institutions, departments, and agencies) to establish the plan.

If the guardian, tutor, public department, or any other qualified individual or body 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 contract 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. 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 contributions and rollover transfers that have previously been made to any RDSP will reduce this amount). Contributions are permitted until the end of the year in which the beneficiary turns 59.

Note

Amounts directly transferred from a 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?

Only the beneficiary or the beneficiary’s estate will be permitted to receive payments from the RDSP.

These payments are referred to as disability assistance payments (DAPs) and are a taxable source of income.

Notes

A DAP is not permitted if, after the payment, the fair market value (FMV) of the property held by the RDSP would be less than the assistance holdback amount for the RDSP. Also, under the Canada Disability Savings Regulations, 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 bonds and grants paid into an RDSP within the last 10-year period, less any part of that amount that has been repaid to ESDC.

Effective January 1, 2014, an amount that is 3 times the amount of the DAP up to a maximum of the assistance holdback amount is generally required to be repaid to ESDC if any DAP is paid from the RDSP.

The RDSP issuer may allow the RDSP holder to request DAPs to be made to a beneficiary that are separate from lifetime disability assistance payments (LDAPs). 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. If an RDSP is at a particular time an SDSP the assistance holdback amount is nil at that time.

Lifetime disability assistance payments (LDAP) 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, are subject to an annual maximum withdrawal limit determined by the formula described on this page.

Note

If an RDSP is a specified disability savings plan (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 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 2014, but the issuer is not provided with the certification until 2015, only the years from 2015 to 2019 are specified years for the RDSP.

If the RDSP is an SDSP, the specified year includes each subsequent calendar year. Otherwise, the specified year includes each of the five years following the year of certification.

There is no maximum limit on the amount of DAPs or LDAPs that can be made 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 maximum LDAP is calculated as follows:

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

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; and

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.

The **non-taxable part** of a disability assistance payment (DAP) made to a beneficiary from an RDSP is the lesser of:

- the DAP; and
- the amount determined by the formula:

$$A \times B \div C$$

where:

A = the amount of the DAP;

B = the contributions made to any RDSP of the beneficiary that have not already been used to determine the non-taxable part of previous DAPs; and

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

Example

Linda earned more than \$87,123 in 2013 and is the sole provider for her spouse Paul, who is 40 years old. Linda starts contributing to Paul's RDSP in 2013. 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 1). 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 2033, the grant can be paid on the contributions from 2013 to 2022 (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 made from the RDSP since the RDSP was set up.

Therefore, in 2033, the LDAP that Paul will receive is \$10,893.67 calculated by the first formula described on the previous page:

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

The non-taxable part 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 2033.

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?

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 parts of all withdrawals made in the year does not exceed \$10,000. 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 grants or bonds. 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 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
- the Minister of Employment and Social Development Canada (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 parts of disability assistance payments (DAPs) made from the plan in the year while it was an SDSP exceeds \$10,000 (unless the maximum 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 not eligible for the disability tax credit;
- 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; and
- the total amount of DAPs made from the plan to the beneficiary in the calendar year is less than the amount determined by the maximum LDAP formula described on the previous page.

Note

You must wait 24 months after the plan stopped being an SDSP before you can make a new election.

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

An RDSP is a primarily government-assisted plan in a year if the total of all government grants and bonds paid into any RDSP of the beneficiary before the year is more than the total of all private contributions made to any RDSP of the beneficiary before the year.

Generally, under such an RDSP, the total amount of DAPs that can be paid to the beneficiary in a calendar year that is not a specified year cannot exceed the maximum allowable amount for that 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 **payment** must be equal to the LDAP **formula**. In a PGAP year, the combination of LDAP and DAP payments 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 maximum DAP that can be paid under these circumstances cannot exceed the maximum 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.

Effective January 1, 2014, if the plan is a primarily government assisted plan (PGAP), the maximum annual limit for withdrawals is, **in general**, increased to the greater of the amount determined by the LDAP formula described on page 4 and 10% of the FMV of the plan assets at the beginning of the year.

How are payments from an RDSP reported?

Rollover amounts as well as the grants, bonds 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 part 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 return for the year in which he or she receives it.

For more information on the taxable part of the payments see "Tax payable on disability assistance payments" on page 8.

Transfers

A transfer from one RDSP to another RDSP can be made only under the following conditions:

- the transfer must be made from a beneficiary's RDSP to another 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; and
- the current RDSP is terminated immediately following the transfer.

Transferring retirement savings property on a tax-deferred (rollover) basis to an RDSP

The maximum rollover amount into an RDSP is \$200,000. All contributions and rollover amounts made to any RDSP will reduce this amount. Grants will not be paid into the RDSP on the money you rollover.

Since July 1, 2011, for deaths occurring after March 3, 2010, the RDSP rules allow for a rollover of a deceased individual's RRSP proceeds to the registered disability savings plan (RDSP) of the deceased individual's financially dependent child or grandchild with an impairment in physical or mental functions. A qualifying beneficiary is referred to as an **eligible individual**. For more information, see "Eligible individual" on page 7. These rollover rules also apply to registered retirement income fund (RRIF) proceeds, to certain lump-sum amounts paid from registered pension plans (RPPs), to specified pension plans (SPP) or to pooled registered pension plans (PRPPs).

As of June 28, 2012, upon the death of an annuitant of a pooled registered pension plan (PRPP), the amounts from a PRPP can be transferred into an RDSP of an infirm dependent child/grandchild or an infirm dependent child/grandchild who has attained the age of majority but is not considered contractually competent to enter into a disability savings plan. The amount of the transfer is not reported as income nor deducted by either the annuitant or the beneficiary.

Transferring RESP property on a tax-deferred (rollover) basis to an RDSP

Transfers can be made after 2013 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 in prescribed form to transfer 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 for at least 10 years and each beneficiary under the RESP has attained 21 years of age and is not eligible to receive educational assistance payments.

The accumulated income payment rollover over to an RDSP will not be subject to regular income tax or the additional 20% tax. The RESP promoter must send the document 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 the Canada Revenue Agency.

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

- will be considered a private contribution for the purpose of determining whether the RDSP is a primarily government-assisted plan (PGAP), but will not attract Canada disability savings grants (CDSGs);
- will be included in the taxable portion of RDSP withdrawals made to the beneficiary; and
- may not exceed, and will reduce the RDSP contribution lifetime limit.

An education savings rollover cannot be made if the beneficiary:

- is not eligible for the disability tax credit (DTC);
- has died;
- is over 59 years of age in the year of the contribution; or
- is not a resident of Canada.

An education savings rollover cannot be made if:

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

RDSP rollover reporting

The amount of the rollover will be shown in box 28 of a T4RSP slip. This amount has to be reported on the deceased annuitant's tax return on line 129 and the amount transferred on line 232. For the eligible individual (defined below), the amount has to be reported on line 129 and the amount of the transfer on line 232. Form RC4625, *Rollover to a Registered Disability Savings Plan (RDSP) under Paragraph 60(m)*, must be attached to the deceased annuitant's and the eligible individual's tax returns. A T4RSP slip will not be issued when the source of rollover proceeds is a RRIF, a RPP, an SPP, or a PRPP.

In these situations, you will not have to complete a Schedule 7, *RRSP and PRPP Unused Contributions, Transfers, and HBP or LLP Activities*. However, you must attach to the return the receipt showing the amount of the rollover.

Note

RDSP issuers may produce and use their own method of documentation for this transaction.

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 specified pension plan (SPP) or pooled registered pension plan (PRPP), who was financially dependent on the deceased for support, at the time of the deceased's death, by reason of physical or mental infirmity. The eligible individual must also be the beneficiary under the RDSP into which the eligible proceeds will be paid.

For more information on RDSPs, go to www.cra.gc.ca/rdsp.

What happens if the beneficiary is no longer eligible for the disability tax credit?

Unless an election is filed with the issuer, the RDSP **must** be terminated and all amounts paid out of the plan by December 31 **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 qualified him or her for the disability tax credit. Any funds remaining in the RDSP after any required repayments of government grants and bonds will be paid to the beneficiary. The taxable part of the disability assistance payment (DAP) will be included in the income of the beneficiary in the year the payment is made to the beneficiary.

A beneficiary who becomes ineligible for the disability tax credit, might, due to the nature of their condition, be eligible for the disability tax credit (DTC) for some later year. **Effective for 2014**, if the RDSP holder wishes to postpone closing the plan a licensed medical doctor must certify in writing that the nature of the beneficiary's condition makes it likely that the beneficiary will, because of the condition, be eligible for the DTC for a future taxation year. In these circumstances, contribution room and repaid CDSGs and CDSBs are not restored.

Election

The RDSP plan holder will be required to:

- have a licensed medical doctor certify in writing that the beneficiary will likely become DTC-eligible at some point in the future; and
- 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 31 of the year following the first year for which the beneficiary is ineligible for the disability tax credit.

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 DTC-ineligible.

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 6th year of DTC-ineligibility.

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 while DTC-ineligible

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 registered retirement savings plan, registered retirement income fund, registered pension plan, specified pension plan, or pooled registered pension plan to the RDSP of a financially dependent infirm child or grandchild will still be permitted;
- no new CDSGs, CDSBs, or designated provincial payments will be paid into the RDSP;
- no new entitlements will be generated for the purpose of the carry forward of CDSGs and CDSBs;
- 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 existing 10-year repayment rule will apply; and
- the assistance holdback amount will be equal to the amount of the assistance holdback amount immediately preceding the beneficiary becoming DTC-ineligible less any subsequent repayments.

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 and the plan terminated, by December 31 **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 part 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?

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 is deregistered;
- prior to 2014, a disability assistance payment (DAP) is made from the plan;
- **effective for 2014**, the beneficiary stops being eligible for the disability tax credit 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 and the beneficiary remains ineligible for the DTC;
- prior to 2014, the beneficiary stops being eligible for the disability tax credit; or
- the beneficiary dies.

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*.

Since 2011, 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 grant 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 the Minister of Employment and Social Development Canada (ESDC) of the election.

A new rule will apply for withdrawals made from an RDSP **after 2013**. This rule replaces the 10-year repayment rule only in respect of RDSP withdrawals. The existing 10-year repayment rule will continue to apply where the RDSP is terminated or deregistered, or the RDSP beneficiary ceases to be eligible for the DTC or dies.

As of 2014, for withdrawals made from an RDSP, the proportional repayment rule will require that, for each \$1 withdrawn from an RDSP, \$3 of any CDSGs or CDSBs 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 CDSGs or CDSBs

that make up the assistance holdback amount based on the order in which they were paid into the RDSP, beginning with the oldest amounts.

Example

Jeff opens an RDSP in 2009 and contributes \$1,500 to his plan annually, attracting the maximum amount of CDSGs (\$3,500) each year. In 2014, the assistance holdback amount for his plan equals \$21,000.

In 2014, Jeff 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 per cent of the repayment required under the 10-year repayment rule). The \$1,800 repayment will come from CDSGs paid into Jeff's RDSP in 2009 and the plan's assistance holdback amount will be reduced to \$19,200.

Tax payable

Tax payable on disability assistance payments (DAP)

When a DAP is made from an RDSP, the part of the payment that includes 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.

Under proposed regulatory changes, financial institutions that administer RDSPs will soon begin withholding income tax at source on the taxable part of a beneficiary's LDAP and DAP withdrawals.

Once the proposed regulatory changes have been approved, our web sites will be updated to provide additional details.

Note

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

Tax payable on non-qualified investment

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.

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; and
- 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.

The holder of an RDSP is liable for the tax.

Payment of tax

If the holder of an RDSP is liable for this tax on a non-qualified investment, 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.

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; and
- 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.

Tax payable where inadequate consideration

This tax applies for a calendar year if, in the year, 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 plan, they are jointly responsible 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, 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 an advantage

An advantage for an RDSP is any benefit or loan that depends on the existence of the RDSP (subject to exceptions listed below). 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. Generally, an advantage does not include:

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

Amount of tax payable

The amount of tax payable for an advantage is:

- in the case of a benefit, the FMV of the benefit; and
- in the case of a loan, the amount of the loan.

Payment of tax

The person who is liable for the tax must file Form RC4532, *Individual Tax Return for Registered Disability Savings Plan (RDSP)*, with a payment for any balance due no later than 90 days after 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. The issuer must file a T3GR, *Group Income Tax and Information Return for RRSP, RRIF, RESP, or RDSP Trusts*.

Tax payable on use of property as security

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*.

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.

Waiver of liability

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 and whether the same transaction also gave rise to another tax described in this publication.

To consider your request, we need 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.

For more information, see Information Circular IC07-1, *Taxpayer Relief Provisions*.

Online services

My Account

Using the CRA's My Account service is a fast, easy, and secure 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.

You can use either your CRA user ID and password or your online banking user ID and password to log in to My Account.

For more information, go to www.cra.gc.ca/myaccount.

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 or Internet banking services. For more information, go to www.cra.gc.ca/electronicpayments or contact your financial institution.

For more information

What if you need help?

If you need more information after reading this information sheet, visit www.cra.gc.ca or call 1-800-959-8281.

Forms and publications

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

Electronic mailing lists

We can notify you by email when new information on a subject of interest to you is available on our website. To subscribe to our electronic mailing lists, go to www.cra.gc.ca/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

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

Our service complaint process

If you are not satisfied with the service that you have received, contact the CRA employee you have been dealing with or call the telephone number that you were 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*.

Tax information videos

We have a number of tax information videos for individuals and small businesses on topics such as preparing your income tax and benefit return, and reporting business income and expenses. To watch our videos, go to www.cra.gc.ca/videogallery.

Related forms and publications

Forms

5006-R	<i>T1 General – Income Tax and Benefit Return</i>
RC193	<i>Service-Related Complaint</i>
RC4532	<i>Individual Tax Return for Registered Disability Savings Plan (RDSP)</i>
RC4625	<i>Rollover to a Registered Disability Savings Plan (RDSP) under Paragraph 60(m)</i>
T3GR	<i>Group Income Tax and Information Return for RRSP, RRIF, RESP, or RDSP Trusts</i>
T2201	<i>Disability Tax Credit Certificate</i>

Publications

IC07-1	<i>Taxpayer Relief Provisions</i>
RC4059	<i>My Account for individuals</i>
RC4420	<i>Information on CRA – Service Complaints</i>

Your opinion counts

If you have any comments or suggestions that could help us improve our publications, send them to:

Taxpayer Services Directorate
Canada Revenue Agency
395 Terminal Avenue
Ottawa ON K1A 0L5