

NO: 78-18R6

DATE: March 6, 2002

SUBJECT: Registered Retirement Income Funds

*This circular cancels and replaces Information Circular 78-18R5 dated June 17, 1996.*

## Introduction

1. If you are the carrier of a retirement income fund (RIF), this circular will help you administer the fund. It explains certain provisions of the *Income Tax Act* (the Act) and outlines the registration requirements of the Canada Customs and Revenue Agency (CCRA). The publications listed in 60 below provide more information.
2. Section 146.3 of the Act contains the provisions governing registered retirement income funds (RRIFs).
3. Subsection 146.3(1) defines a RIF as an arrangement between a carrier (see 4 below) and an annuitant under which the carrier agrees to make payments to the annuitant and, if the annuitant chooses (“elects”), to the annuitant’s spouse or common-law partner after the annuitant’s death, in consideration for the transfer of property to the carrier. The payments must begin no later than the first calendar year after the year in which the annuitant entered into the RIF. Each year, the carrier must make one or more payments that, in total, are at least equal to the minimum amount (see 5 below) under the RIF for the year. A payment cannot be greater than the value of the property held in connection with the RIF immediately before the payment.

### Note

A RRIF entered into before March 1986 and not revised or amended since February 1986 is subject to the terms and conditions of the arrangement as it existed in February 1986. The definition of a RIF in this paragraph and of the minimum amount in 5 below do not apply until the year in which such a RRIF is first revised or amended.

4. An arrangement can be entered into with a person or organization listed below, who is referred to as the carrier:
  - (a) a company licensed to carry on an annuities business in Canada (such as an insurance company);
  - (b) a Canadian trust company;
  - (c) a company that the Governor in Council has approved to sell investment contracts for registered retirement savings plans (RRSPs); and
  - (d) a depositary described in section 146 as:
    - (i) a member or a person eligible to become a member of the Canadian Payments Association; or

- (ii) a credit union that is a shareholder or member of a corporate body referred to as a “central” for the purposes of the *Canadian Payments Association Act*.

## Minimum amount

5. The “minimum amount” referred to in 3 above is nil for the year in which the annuitant enters into the fund. For each subsequent year, starting in 1998, you calculate the minimum amount by multiplying the fair market value of the property (other than certain types of annuities) held in connection with the fund at the beginning of the year by a prescribed factor, and adding the result to the total, if any, of all amounts representing either:
  - a periodic payment received by the trust in the year under an annuity, the fair market value of which is not included in the calculation of the minimum amount; or
  - an estimate of a periodic payment the trust would have received under such an annuity held at the start of the year, if the trust had not disposed of the right to the payment during the year.

The prescribed factor can correspond to the age of the first annuitant under the fund or, if the first annuitant so elects before receiving any payments under the fund, to the age of the annuitant’s spouse or common-law partner at that time. Section 7308 of the *Income Tax Regulations* describes the prescribed factor.

### Note

The calculation of the minimum amount using a prescribed factor came into effect in 1992. If the annuitant elected before 1992 to base the minimum payment from a RRIF on the spouse’s age, use the prescribed factor corresponding to the age of the spouse to calculate the minimum amount. See the note in 3 above regarding RRIFs entered into before March 1986 that have not been revised or amended since February 1986.

6. For certain qualifying RRIFs, the prescribed factor corresponding to the age of an individual who is over 70 and under 78 differs from the prescribed factor for other RRIFs and will result in a minimum amount that is slightly lower than that for other RRIFs. A RRIF is a qualifying RRIF if the annuitant entered into it before 1993 and the carrier has not accepted any property after 1992, other than property transferred from another qualifying RRIF.
7. The prescribed factor for a qualifying RRIF is the factor in the following table that corresponds to the age in whole years (in the table referred to as “X”) of the individual

at the beginning of the year, or the age the individual would have been at the beginning of the year if the individual had been alive then.

Age (X)	Factor	Age (X)	Factor
under 79	$1/(90 - X)$	87	.1133
79	.0853	88	.1196
80	.0875	89	.1271
81	.0899	90	.1362
82	.0927	91	.1473
83	.0958	92	.1612
84	.0993	93	.1792
85	.1033	94 or older	.2
86	.1079		

8. The prescribed factor for all other RRIFs is the factor in the following table that corresponds to the age in whole years (in the table referred to as “Y”) of the individual at the beginning of the year, or the age the individual would have been at the beginning of the year if the individual had been alive then.

Age (Y)	Factor	Age (Y)	Factor
under 71	$1/(90 - Y)$	83	.0958
71	.0738	84	.0993
72	.0748	85	.1033
73	.0759	86	.1079
74	.0771	87	.1133
75	.0785	88	.1196
76	.0799	89	.1271
77	.0815	90	.1362
78	.0833	91	.1473
79	.0853	92	.1612
80	.0875	93	.1792
81	.0899	94 or older	.2
82	.0927		

9. RRIF payments can start in the year the annuitant enters into the arrangement, but any such payment made in that year exceeds the minimum amount and is subject to withholding taxes. Amounts exceeding the minimum amount can be transferred to another fund or plan or to purchase an annuity (see 43 to 48 and 50 to 51).

10. The elections noted in 3 and 5 above are independent of each other. The annuitant can elect to use the prescribed factor corresponding to the age of the spouse or common-law partner to calculate the minimum amount even if the spouse or common-law partner is not designated to continue to receive payments under the RRIF after the annuitant’s death.

11. As noted in 5 above, before any payments are made under the fund, the annuitant has to elect to use the prescribed factor corresponding to the age of the spouse or common-law partner when calculating the minimum amount. Once the election is made, it cannot be changed, even if the spouse or common-law partner dies. However, the annuitant can establish another RRIF by transferring funds and then make a new election for this other RRIF.

12. There are no timing restrictions on the election noted in 3 above, under which benefits can be paid to the spouse or common-law partner on the death of the annuitant. The election can be made under a provision of the deceased annuitant’s will. When the annuitant has made an election, the surviving spouse or common-law partner becomes the annuitant under the fund after the death of the first annuitant. The surviving spouse or common-law partner can also become the annuitant even if the first annuitant did not make an election—provided you undertake to make payments to the surviving spouse or common-law partner, and the legal representative for the deceased annuitant consents. As well, a new spouse or common-law partner of the surviving spouse or common-law partner can become the annuitant under the fund on the death of the surviving spouse or common-law partner—provided you undertake to make payments to the new spouse or common-law partner, and the legal representative of the now-deceased surviving spouse or common-law partner consents. See the *T4RSP and T4RIF Guide* or information sheet RC4178, *Death of a RRIF Annuitant*, for information on reporting requirements on the death of an annuitant or surviving spouse or common-law partner.

### ***Approval of specimen fund***

13. You should get our approval of the arrangement before marketing it as a RIF. The RIF contract and application form together constitute the specimen fund. Submit a draft copy of the specimen fund to the following address:

Registered Plans Directorate  
Canada Customs and Revenue Agency  
3rd floor  
45 Sacre-Cœur Boulevard  
Hull QC K1A 0L5

### **Note**

If a locked-in addendum or supplementary agreement is used with the specimen fund to accommodate the transfer-in of locked-in pension funds, send a copy of the addendum or supplementary agreement with your specimen fund. (See 21 to 26 for more information on locked-in funds.)

14. When we are satisfied that the specimen fund meets the requirements of the Act, we will notify you that we will accept for registration as a RRIF an actual arrangement entered into in the approved form. We will ask you to send us a final, printed copy of the approved arrangement and application form.

15. When we accept the specimen fund, we will assign an identification number to it. In any correspondence with us, include the identification number when you refer to the specimen fund or to a RRIF conforming to the specimen fund. When you refer to a RRIF, also use the annuitant’s social insurance number and the contract number (for example, a contract, account, certificate, or other identifying number you have assigned to the arrangement) under which the fund is or will be registered.

## Registration

16. To register RIFs, send us a list of the names of individuals with whom you have entered into arrangements. You need to provide the name, address, and social insurance number of each individual, and the contract numbers (for example, the contract, account, certificate, or other identifying number you have assigned to each arrangement) of the arrangements on the list. We will not register the RIF, regardless of the circumstances, if the annuitant's social insurance number is missing from the list. You also need to include the name of the specimen fund, the identification number we assigned to the specimen fund, and the calendar year in which you entered into the listed arrangements.

You can submit lists on a quarterly or more frequent basis but you need to submit at least one each year, not later than 60 days after the end of the calendar year for which you want registration. Send each list attached to a separate Form T550, *Application for Registration of Retirement Savings Plans, Education Saving Plans and Retirement Income Funds*, or attached to a separate letter for each specimen fund with the signature of an authorized officer of the carrier who:

- states the total number of arrangements listed for the specimen fund, noting the identification number we assigned to the fund and the number of pages that make up the list; and
- affirms that:
  - the annuitants of the funds listed have asked to have their funds registered;
  - the arrangements listed comply with the provisions of section 146.3 of the Act; and
  - the funds conform in all respects to the approved specimen fund.

Please do not submit lists as an attachment to Form T3G, *Certification of No Tax Liability by a Group of RRSPs, RRIFs, or RESPs*. Lists attached to Form T3G will not be accepted for registration.

Send the list to:

Registered Plans Directorate  
Canada Customs and Revenue Agency  
3rd floor  
45 Sacre-Cœur Boulevard  
Hull QC K1A 0L5

### Note

These lists can now be submitted on CD-ROM as basic delimited ASCII text files. For further information on the e-Listings process, please contact the Registered Plans Directorate at the address above or by phone at (613) 954-0419.

17. The list should contain only funds that have not previously been registered. If you need to correct the information on a list already submitted, such as a social insurance number or name, send us a separate letter.

18. Do not list an arrangement for registration until you have received property transferred to it, since a fund does not meet the definition of a RIF unless a transfer of property has been completed.

## Statutory conditions for registration

19. The text of the arrangement has to comply with subsection 146.3(2) by including the following provisions:

- (a) The carrier will make only those payments described in paragraphs 146.3(2)(d), 146.3(2)(e), and 146.3(14)(b), and in the definition of "retirement income fund" in subsection 146.3(1).
- (b) Any such payments cannot be assigned in whole or in part.
- (c) When the carrier is a person referred to as a depository in section 146:
  - (i) the carrier has no right of offset regarding the property held in connection with the fund (see 20 below) for any debt or obligation owing to the carrier; and
  - (ii) the property held in connection with the fund cannot be pledged, assigned, or in any way alienated as security for a loan or for any purpose other than that of the carrier making payments to the annuitant as described in (a) above.
- (d) Except when the annuitant's spouse or common-law partner becomes the annuitant under the fund, the carrier will, if the annuitant dies, distribute the property held in connection with the fund (see 20 below) at the time of the annuitant's death or an amount equal to the value of such property at that time.
- (e) At the direction of the annuitant, the carrier will transfer (as described in 45) all or part of the property held in connection with the fund (see 20 below), or an amount equal to its value at the time of the direction [other than property required to be retained according to the provision described in paragraph 146.3(2)(e.1) or (e.2)], together with all information necessary for the continuance of the fund, to a person who has agreed to be a carrier of another RRIF of the annuitant.
  - (e.1) When an annuitant of a fund that does not govern a trust, or of a fund that governs a trust created before 1998 that does not hold an annuity contract as qualified investment for the trust, at any time directs that the carrier transfer all or part of the property held in connection with the fund (see 20 below), or an amount equal to its value at that time, to any person who has agreed to be a carrier of another RRIF of the annuitant, as described in (e) above, the transferor shall retain an amount at least equal to (i) or (ii) below, whichever is less:
    - (i) the fair market value of a portion of the property, if its fair market value does not decline after the transfer, that would ensure the minimum amount under the fund for the year in which the transfer is made can be paid to the annuitant in the year; or
    - (ii) the fair market value of all the property.
  - (e.2) When an annuitant under a fund not covered under (e.1) above at any time directs that the carrier transfer all or part of the property held in connection with the fund (see 20 below), or an amount equal to its value at that time, to any person who has agreed to be a carrier of

another RRIF of the annuitant, as described in (e) above, the transferor shall retain property in the fund sufficient to ensure that the total of:

- (i) the fair market value, immediately after the transfer, of a property that is:
  - (A) property other than an annuity contract; or
  - (B) a commutable annuity contract; and
- (ii) all amounts representing a reasonable estimate, as of the time of the transfer, of the amount of an annual or more frequent non-commutable annuity contract that the trust may receive after the transfer and in the year of the transfer

is not less than the amount, if any, by which the minimum amount for the annuitant for the year exceeds what has already been paid to the annuitant for the year.

- (f) The carrier will not accept property as consideration, other than property transferred from:
  - (i) a registered retirement savings plan (RRSP) under which the individual is the annuitant;
  - (ii) another RRIF under which the individual is the annuitant;
  - (iii) the individual, to the extent only that the amount of the consideration was an amount described in paragraph 60(I)(v) of the Act;
  - (iv) a RRIF or RRSP of the annuitant's spouse or common-law partner or former spouse or common-law partner under a decree, order, or judgment of a competent tribunal or under a written separation agreement, relating to a division of property between the individual and the individual's spouse or common-law partner or former spouse or common-law partner in settlement of rights arising out of or on the breakdown of their marriage or common-law partnership (see 49);
  - (v) a registered pension plan of which the individual is a member [within the meaning assigned by subsection 147.1(1)];
  - (vi) a registered pension plan in accordance with subsection 147.3(5) or (7); or
  - (vii) a provincial pension plan in circumstances to which subsection 146(21) applies.
- (g) No benefit or loan that is conditional in any way on the existence of the fund can be extended to the annuitant or to a person with whom the annuitant was not dealing at arm's length, other than:
  - (i) a benefit that is required to be included in computing the annuitant's income;
  - (ii) an amount referred to in paragraph 146.3(5)(a) or (b); or
  - (iii) the benefit derived from the provision of administrative or investment services in respect of the fund.

- (h) The fund in all other respects must comply with regulations of the Governor in Council made on the recommendation of the Minister of Finance. (At the date of this circular, there were no prescribed conditions.)

**20.** The term "property held in connection with the fund" as used in this circular means the value of property held by the carrier for the fund, and the value of earnings from that property, that are relevant in determining the amount payable to the annuitant under the fund.

### ***Locked-in pension funds***

**21.** Provincial pension standards legislation and the federal *Pension Benefits Standards Act, 1985* restrict the cash-out of pension benefits in an effort to ensure that members of a pension plan have an income for life. In most pension jurisdictions, members who have reached a specified age or number of years of service can only cash out their benefits on termination of employment or at retirement if they transfer the funds to an acceptable arrangement. These funds are referred to as "locked-in."

The transfer options vary by jurisdiction. Generally, locked-in pension funds can be transferred from a pension plan to one or more of the following:

- another pension plan;
- a person, for the purchase of a life annuity;
- a locked-in RRSP or locked-in retirement account (LIRA);
- a locked-in RRIF (LRIF); or
- a life income fund (LIF).

**22.** A LIRA is an arrangement that meets both the locking-in requirements under pension standards legislation and the requirements in the Act for RRSPs.

**23.** An LRIF and a LIF are arrangements that meet both the locked-in requirements under pension standards legislation and the requirements in the Act for RRIFs. The restrictions imposed by the standards legislation can be included in the RRIF document itself, or in an endorsement or addendum attached to the RRIF document.

**24.** An LRIF pays out at least the minimum amount required by the Act each year but restricts the total payments in a year to a maximum set by pension standards legislation.

**25.** A LIF is similar to an LRIF in that it pays out at least the minimum amount each year but does not exceed a maximum set by pension standards legislation. Some provincial regulations now provide that when the annuitant reaches 80 years of age, the minimum amount for the year can be paid from the LIF and the remaining funds can be used to purchase a life annuity. The annuity has to meet the conditions in the relevant pension standards legislation and in clause 60(I)(ii)(A) of the Act (see 51). The annuity can be purchased before the annuitant reaches 80 years of age.

**26.** The Act only allows transfers from a RRIF to another RRIF, to an RRSP, or to a person licensed or otherwise authorized under the laws of Canada or a province to carry on an annuities business in Canada for the purchase of an annuity described in clause 60(1)(ii)(A). Consequently, funds first have to be transferred from an LRIF or LIF to an RRSP (or LIRA) before they can be transferred to a registered pension plan. See 43 to 51 for more information on transfers.

### ***Agency agreement***

**27.** You may have an arrangement with an agent, such as an investment broker, that allows the agent to provide you with certain administrative and investment functions. You do not need to submit the agency agreement with the specimen fund. The agent may be appointed as custodian of the securities, and if the securities are registered in the agent's name, then the existence of the agency agreement, the identity of the trustee, and the contract number of the RRIF that governs the trust should be clearly disclosed in the security registration form.

**28.** The specimen fund has to state that the ultimate responsibility for administering each fund remains with you as the carrier. The agent may not change the approved specimen fund. You have to deal directly with the CCRA concerning all RIF matters and reporting requirements, unless we have your written authorization to deal with your agent or other representative.

### ***Group arrangements***

**29.** An association, employer, or other organization (hereafter referred to as an "organization") can sponsor a group RIF. A group RIF is essentially a collection of individual RRIFs for associated individuals, such as employees of an employer, members of an association, or the spouses or common-law partners of such individuals. The organization can act as agent for the annuitant for certain purposes, such as making investment selections under the fund. When this occurs, the text of the RIF arrangement and its application form should clearly show that the annuitant has authorized the organization to act as his or her agent and for what purpose.

**30.** When the organization acts as agent for the annuitant, the text of the RIF arrangement has to state that the ultimate responsibility for administering each fund remains with you as the carrier. The organization may not change the approved specimen fund. You have to deal directly with the CCRA concerning all RIF matters and reporting requirements, unless we have your written authorization to deal with another person.

### ***Application form***

**31.** The application form that is part of the specimen fund (see 13) has to request the following information:

(a) annuitant's name, address, social insurance number, and date of birth;

(b) annuitant's signature;

(c) contract number (for example, the contract, account, certificate, or other identifying number you have assigned to the arrangement); and

(d) carrier's name.

**32.** The application form must contain a request by the annuitant for you, as the carrier, to apply for registration of the fund as a RRIF under section 146.3 of the Act. If an organization (see 29 and 30) sponsors the specimen fund, the application form has to include a clause in which the annuitant authorizes the sponsor to act as the annuitant's agent.

**33.** We recommend that you include an area on the application form for the applicant to make either or both elections referred to in the definitions of RIF and minimum amount in subsection 146.3(1). (See, respectively, 3 and 5.)

**34.** You cannot use the word "registered" to refer to the name of the fund in the application form or other specimen fund documents, since the specimen fund is not registered. Only the individual arrangements entered into in the approved form are registered.

### ***Amendments or revisions***

**35.** Send all amendments or revisions to an approved specimen fund to us, at the address in 13, for our approval before the amendments are put into effect. Your submission should specify the nature of the changes.

**36.** If the specimen fund is amended to accommodate the transfer-in of locked-in pension funds, send us a copy of the locked-in addendum or supplementary agreement. (See 21 to 26 for more information on locked-in funds.)

### ***Change of carrier***

**37.** The terms of your RIF arrangement may allow you to resign as carrier and to appoint a successor carrier. This is generally considered to be an amendment to the specimen fund. To process the change, we need a letter from you telling us about the change of carrier and the effective date. We also need confirmation from you or from the successor carrier that each annuitant who has a contract conforming to the specimen fund has been informed of the change. The successor carrier should send any amendments to the specimen fund resulting from the change to us at the address in 13 for our approval.

### ***Termination of the specimen fund***

**38.** Let us know when you are no longer marketing a specimen fund by writing to us at the address in 13. Also let us know when there are no longer any outstanding RRIFs that conform to the specimen fund.

## ***Issuing receipts***

39. You should issue a receipt for property that you receive for a RRIF under paragraph 60(l). This includes:

- funds directly transferred from a matured RRSP (commutation payment under an RRSP annuity); and
- amounts paid to a qualified beneficiary as a refund of premiums from an unmatured RRSP or as a designated benefit from another RRIF (only a spouse, common-law partner, or financially dependent child or grandchild can be a qualified beneficiary).

The issuer of an annuity should also give the annuitant a receipt when an excess payment from a RRIF is used to purchase an annuity under paragraph 60(l). (See 50 and 51)

40. The document you issue as a receipt should clearly indicate that it refers to a RRIF or an annuity purchased with the single payment from the RRIF, and should instruct the annuitant to attach it to his or her personal income tax return. The document should be no wider than 21.5 centimetres (the width of an income tax return) and should record the following:

- (a) name of the RRIF carrier or issuer of the annuity;
- (b) signature of an authorized official;
- (c) contract or arrangement number;
- (d) annuitant's name, address, and social insurance number;
- (e) total amount of funds received; and
- (f) date payment received.

If you issue receipts in duplicate, clearly identify the copy and suggest that the annuitant keep it for his or her personal records.

41. Regarding 40(b), you can issue receipts that bear a facsimile signature of an authorized official, without countersigning or initialling, if the receipts are serially numbered and a copy is retained at your head office, or, for an annuity purchase, at the head office of the issuer of the annuity.

42. For more information on when to issue receipts, see Appendix F of the *T4RSP and T4RIF Guide*. It also provides information on reporting and deducting amounts paid, or considered to be paid, from a RRIF. You can get a copy of the guide at any CCRA tax services office or on our Web site at [www.ccra.gc.ca](http://www.ccra.gc.ca).

## ***Transfer of funds from a RRIF to another RRIF or RRSP***

43. If a RRIF annuitant wishes to transfer property from that RRIF to another retirement income fund for the same annuitant or to a retirement savings plan for the same annuitant, you and the annuitant must first ensure that the fund or plan to which the transfer is to be made is registered, or that it will qualify for registration.

44. If you transfer the RRIF property to a new specimen fund, whether it is one of your specimen funds or a specimen fund of another carrier, the annuitant must ask you or the

other carrier to apply for registration of the fund (see 32). If the transfer is to an RSP, the annuitant must ask the issuer to apply for registration of the plan as outlined in the current version of Information Circular 72-22, *Registered Retirement Savings Plans*.

45. A RRIF annuitant can use Form T2033, *Direct Transfer Under Paragraph 146(16)(a) or 146.3(2)(e)*, or any other method, to request a direct transfer of all or part of the property of the RRIF exceeding the minimum amount to another RRIF. The annuitant does not have to include the transferred amount in income.

46. A RRIF annuitant can use Form T2030, *Direct Transfer Under Paragraph 60(l)(v)*, or any other method, to request a direct transfer of the payment exceeding the minimum amount to an RRSP. The carrier of the RRIF must report the excess payment transferred and the minimum amount paid to the annuitant on the T4RIF slip. The issuer of the RRSP should issue a tax receipt for the excess payment received.

47. You do not need to use Form T2033 if you are the carrier of both RRIFs, or Form T2030 if you are the carrier of the RRIF and the issuer of the RRSP, if all the information that otherwise would be supplied on either of these forms is recorded under the receiving fund or plan.

48. Do not deduct income tax from funds properly transferred. You have to retain sufficient funds before transfer to make the minimum amount payment for that year [see 19(e) to (e.2)]. You can find more information on the forms to use in the *T4RSP and T4RIF Guide*. The guide and forms are available at any CCRA tax services office or on our Web site at [www.ccra.gc.ca](http://www.ccra.gc.ca).

## ***Transfer between RRIFs or RRIF to RRSP on marriage or common-law partnership breakdown***

49. Form T2220, *Transfer from an RRSP or a RRIF to Another RRSP or RRIF on Marriage Breakdown*, is used to request a transfer of property under a written separation agreement or under a decree, order, or judgment of a competent tribunal relating to a division of property on breakdown of a marriage or common-law partnership. A RRIF annuitant can use this form to request a transfer of property from a RRIF to a RRIF or RRSP under which the annuitant's spouse or common-law partner or former spouse or common-law partner is the annuitant. See the *T4RSP and T4RIF Guide* for more information on completing the transfer.

## ***Purchase of an annuity***

50. A RRIF annuitant can use Form T2030, *Direct Transfer Under Paragraph 60(l)(v)*, to request a direct transfer of a payment exceeding the minimum amount of the RRIF to a person licensed or otherwise authorized under the laws of Canada or a province to carry on an annuities business in Canada for the purchase of an annuity for the

annuitant. You must report the minimum amount for the year and the transferred payment on a T4RIF slip. The issuer of the annuity should issue a receipt (see 39) showing the date and amount of the single payment used to purchase the annuity.

**51.** The annuity that is purchased can be for the life of the annuitant or for the lives jointly of the annuitant and the annuitant's spouse or common-law partner, with or without a guaranteed term. The guaranteed term cannot be more than 90 years minus:

- (a) the annuitant's age at the time of purchase; or
- (b) the age of the annuitant's spouse or common-law partner at the time of purchase.

The annuity can also be a fixed-term annuity with a term equal to 90 years minus:

- (a) the annuitant's age at the time of purchase; or
- (b) the age of the annuitant's spouse or common-law partner at the time of purchase.

The annuity has to begin making payments no later than a year after it is purchased. The annuity cannot provide for any payments except:

- (a) annual or more frequent periodic payments that are equal to each other or unequal only because of adjustments described in subparagraphs 146(3)(b)(iii) to (v); and
- (b) payments in full or partial commutation of the annuity and, when the commutation is partial, annual or more frequent periodic payments after the commutation that are equal to each other or unequal only because of adjustments described in subparagraphs 146(3)(b)(iii) to (v).

## ***Taxation of a trust***

**52.** A trust governed by a RRIF is exempt from taxation except in the following situations:

- (a) A trust governed by a RRIF is taxable on all its taxable income for a tax year if:
  - (i) the trust was governed by a fund that became an "amended fund" as referred to in subsection 146.3(11);
  - (ii) the trust borrowed money during the tax year or the trust borrowed money in a previous tax year that was not repaid before the beginning of the year; or
  - (iii) the trust received a gift of property (other than a transfer from an RRSP or RRIF under which the individual is the annuitant) in the year or in a previous tax year and did not divest itself of the property, or any property substituted for it, before the beginning of the year.
- (b) When the last annuitant under a RRIF dies and all the funds are not paid out of the trust in the year of death, the trust is taxable on its taxable income for each year after the year following the year of death. This applies to the 1993 and subsequent tax years. Before 1993, the trust was taxable on its taxable income for each year after the year of death of the last annuitant.

- (c) When a trust governed by a RRIF has carried on any business in a tax year and (a) above does not apply, the trust is taxable on its business income for the year—that is, its income for the year computed without reference to incomes or losses from sources other than the business. For 1993 and subsequent tax years, the trust is not taxable on any business income attributable to its income from, or from the disposition of, qualified investments (see 56) for the trust.
- (d) When a trust governed by a RRIF has acquired a property that is not a qualified investment, the trust is subject to tax on its taxable income calculated on the assumption that:
  - (i) it only had income (including dividends described in section 83 of the Act) from non-qualified investments; and
  - (ii) the taxable capital gains and allowable capital losses equalled the capital gains and capital losses, respectively, from the dispositions of only non-qualified investments.
- (e) A trust governed by a RRIF is liable for taxes, calculated at the end of each month, which are generally equal to 1% of:
  - (i) the amount by which the trust's cost amount of investments in foreign property (excluding foreign property that also constitutes a non-qualified investment) exceeds the allowable portion; and
  - (ii) the fair market values, at the time of acquisition, of non-qualified investments held at month-end (excluding the fair market value of property that was included in the annuitant's income under subsection 146.3(7)—see 56 below).
- (f) When, after April 25, 1995, a trust governed by a RRIF enters into an agreement (otherwise than as a result of acquiring or writing an option listed on a prescribed stock exchange) to acquire a share of the capital stock of a corporation (otherwise than from the corporation) at a price that may differ from the fair market value of the share at the time the share may be acquired, the trust is subject to tax during any month it is party to the agreement. The tax payable is equal to the amount of dividends paid on the share at a time in the month that the trust is a party to the agreement minus the amount of the dividends received by the trust.

Any tax payable by a trust under (e) and (f) above, although calculated monthly, is payable with the annual return that has to be filed on behalf of the trust.

## ***Trust income tax returns***

**53.** A trust company acting as trustee of a trust governed at any time in the year by a RRIF has to complete Form T3IND, *T3IND Income Tax Return for RRSP, RRIF, or RESP*, unless the trust company has properly satisfied this filing requirement by filing Form T3G, *Certification of No Tax Liability by a Group of RRSPs, RRIFs, or RESPs*. It has to file the return no later than 90 days after the end of the year.

## ***Taxation of the annuitant – Change in fund after registration***

54. If the fund is revised or amended, or a new fund is substituted for it, after registration, with the result that the fund fails to comply with the requirements of section 146.3, the RRIF will no longer be considered to be a RRIF. The fund is deemed to be an amended fund and, consequently, the annuitant has to include the fair market value of the property of the fund as of the day of change in income for the year in which the fund becomes amended.

## ***Taxation of the annuitant – Acquisition and disposition of non-qualified investments***

55. Qualified investments for a trust governed by a RRIF are defined under subsection 146.3(1) and section 4900 of the *Income Tax Regulations*.

56. When a RRIF trust acquires property that was not a qualified investment when acquired, or uses or permits a property of the trust to be used as security for a loan, the annuitant under the fund at that time has to include in income for that tax year the fair market value of the property that was not a qualified investment, or the fair market value of the property used as a security. Subparagraph 52(e)(ii) identifies taxes payable by a RRIF trust that has one or more investments that were qualified investments when acquired but became non-qualified, and 52(d) above discusses taxes payable by a RRIF trust on the income from a non-qualified investment.

57. When the trust disposes of property that was not a qualified investment when acquired, the annuitant can deduct from income in the year of disposition the amount that was included in income at the time of acquisition, or the proceeds of disposition, whichever is less. When an annuitant has added to income the fair market value of trust property used as security for a loan, the annuitant can deduct that fair market value (less the net loss, excluding interest payments, incurred because of the use as security) from income in the year in which the property ceases to be used as security.

58. As explained in Interpretation Bulletin IT-408R, *Life Insurance Policies as Investments of Registered Retirement Savings Plans and Deferred Profit Sharing Plans*, the provisions of section 146 concerning the acquisition of non-qualified investments may not always apply when an RRSP trust acquires an interest in or pays amounts under a life insurance policy. The same is not true for a RRIF trust. The provisions of section 146.3 concerning the acquisition of non-qualified investments by a RRIF trust will always apply when the RRIF trust acquires an interest in, or pays an amount under, a life insurance policy.

## ***Taxation of the annuitant – Purchase or sale of property for inadequate consideration***

59. If a RRIF trust acquires property for a consideration greater than the fair market value of the property at the time of acquisition, or disposes of property for a consideration less than the fair market value at that time or for no consideration, the annuitant of the RRIF at that time must include twice the difference between the fair market value and the consideration, if any, in calculating his or her income for the tax year.

## ***Additional information***

60. You can find more information in the current version of the following publications, which are available at any CCRA tax services office or on our Web site at [www.cra.gc.ca](http://www.cra.gc.ca).

T4040	<i>RRSPs and Other Registered Plans for Retirement Guide</i>
T4079	<i>T4RSP and T4RIF Guide</i>
RC4178	<i>Death of a RRIF Annuitant</i>
IC 78-14	<i>Guidelines for Trust Companies and Other Persons Responsible for Filing T3IND, T3G, T3D, T3P, T3S, T3RI, and T3F Returns</i>
IT-412	<i>Foreign Property of Registered Plans</i>
IT-528	<i>Transfers of Funds Between Registered Plans</i>

## ***Personal information***

61. The information that we obtain for tax purposes is strictly confidential. Only the taxpayer or a person the taxpayer or the law authorizes has access to this information.

The *Privacy Act* and the *Access to Information Act* reinforce this protection.

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