Canada Revenue Agency Agence du revenu du Canada

When You Retire

P119(E) Rev. 15

Canada

Is this guide for you?

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

Note
Service Canada provides information specifically for seniors. Visit **www.servicecanada.gc.ca**, select "Services for you," then "Seniors."

If you are blind or partially sighted, you can get our publications in braille, large print, etext, or MP3 by going to **www.cra.gc.ca/alternate**. You can also get our publications and your personalized correspondence in these formats by calling **1-800-959-8281**.

La version française de ce guide est intitulée *Vous prenez votre retraite?*

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What types of income will you have?

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

Old age security pension

You might need to apply for the old age security (OAS) pension. The month after you turn 64 years old, Service Canada will send you one of the following:

- a letter telling you that you could be eligible for the OAS pension, along with an application form; or
- a letter telling you that you were selected for automatic enrolment. In this case, you do not have to apply for the OAS pension, provided that the information in your letter is correct.

You will not automatically get the guaranteed income supplement (GIS) or the allowance. You have to apply for them at a Service Canada office. However, you do not have to renew your application for the GIS each year. If you are eligible for the GIS, you will get it as long as you file your income tax and benefit return.

To find out if you are eligible for these incomes or to get the most up-to-date information about automatic enrolment for the OAS pension, visit **www.servicecanada.gc.ca** or call **1-800-277-9914**. If you use a teletypewriter, call **1-800-255-4786**.

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

The GIS and the allowance must also be included in your income, but since they are not taxable, you can claim a deduction for them on your income tax and benefit return. If any income tax has been deducted from your OAS, GIS or the allowance benefit payments, you can claim a deduction for that amount on your return.

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

Canada Pension Plan or Quebec Pension Plan benefits

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

For CPP, apply online at **www.servicecanada.gc.ca** or by filling out Form ISP1000, *Application for a Canada Pension Plan Retirement Pension*.

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

You will get a T4A(P) slip that will show you the CPP and QPP benefits to include in your income on your income tax and benefit return. The slip also shows how much income tax was deducted.

Retiring allowance

A retiring allowance is an amount you receive on or after retirement from an office or employment in recognition of long service. You may also receive this amount if you lose your office or employment, whether you are dismissed or resign.

It may also include payment for unused sick leave.

A retiring allowance does **not** include:

- a superannuation or pension benefit;
- an amount paid as a result of an employee's death;
- a benefit received for certain counselling services that does not have to be included in your income;
- payments for accumulated vacation leave not taken before retirement;
- wages instead of a termination notice;
- salary, wages, bonus, overtime, and legal fees; and
- damages for violations or alleged violations of an employee's applicable human rights awarded under human rights legislation, if these damages are not taxable.

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

Transfers

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

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

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

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

On a T4A-RCA slip, box 17 shows the amount of distributions included in box 16 that is considered a retiring allowance and might be eligible for transfer. You have to include this amount in your income.

For more information, see Guide T4041, *Retirement Compensation Arrangements Guide*.

Pension or superannuation income

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

Pension from a foreign country

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

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

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

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

Annuity payments

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

You may get annuity payments from:

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

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

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

Registered retirement savings plan income

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

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

By the end of that year, you have to choose one of the following options for your RRSP:

- withdraw it and pay income tax on the amount;
- transfer it to a registered retirement income fund; or
- use it to buy an annuity.

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

Registered retirement income fund payments

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

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

Pooled registered pension plan

A pooled registered pension plan (PRPP) is a deferred income plan designed to provide retirement income to individuals who do not have a workplace pension.

Payments from a PRPP are considered pension income. You can claim the pension income amount for these payments if you are:

- the PRPP member aged 65 years or older; or
- the spouse or common-law partner of a deceased PRPP member.

If you receive payments from a PRPP, they are taxable and you have to include them on your income tax and benefit return for the year you receive them. Since benefits such as old age security or the guaranteed income supplement are calculated based on the income you report each year, your benefits may be reduced accordingly.

For more information, go to **www.cra.gc.ca/prpp** or see the *General Income Tax and Benefit Guide*.

Investment income

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

Bank accounts

Report interest paid or credited to you in the year, even if you did not get an information slip. You may not receive a T5 slip for amounts under $50.

Term deposits, guaranteed investment certificates, and other similar investments

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

Canada savings bonds

Interest on a regular interest ("R") bond is paid annually until the bond matures or you cash it in. Interest on a compound interest ("C") bond is not paid until you cash it in. For both kinds of bonds, report the amount shown on the T5 slips.

For more information on what to report, see line 121 in the *General Income Tax and Benefit Guide*.

Treasury bills (T-bills)

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

If you disposed of a T-bill before maturity in the year, you may also have to report a capital gain or loss.

For more information, see Guide T4037, *Capital Gains*.

Earnings on life insurance policies

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

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

Capital gains and losses

You may have a capital gain or loss when you dispose of property, such as the sale of real estate or shares (including those in mutual funds). Generally, if the total of your gains for the year is more than the total of your losses, you have to report a percentage of the difference as income.

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

Retroactive lump-sum payments

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

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

Eligible income includes:

- employment income and damages for loss of employment received by order or judgment of a competent tribunal, as an arbitration award, or under a lawsuit settlement agreement;
- periodic pension benefits, which do not include Canada Pension Plan or Quebec Pension Plan benefits;
- wage-loss replacement plan benefits;
- support payments for a spouse, common-law partner, or child;
- employment and unemployment insurance benefits; and
- Canadian Forces members and veterans income replacement benefits.

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

Tax-free savings account

If you are 18 years of age or older and have a valid Canadian social insurance number, you can open a tax-free savings account (TFSA).

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

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

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

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

How will you pay income tax after you retire?

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

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

Having tax withheld from income

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

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

To have income tax withheld from old age security (OAS) and Canada Pension Plan (CPP) benefits, call **1-800-277-9914** or send a filled out Form ISP3520, *Request for Voluntary Federal Income Tax Deductions*, to a Service Canada office.

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

Paying tax by instalments

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

To find out if you have to pay your tax by instalments, go to **www.cra.gc.ca/instalments**. To set up a pre-authorized debit for your instalments, go to **www.cra.gc.ca/myaccount**.

How can you reduce or defer tax?

In your retirement years, you may have income from several sources that you have to pay tax on. The following are some ways you may be able to reduce or defer some of your tax payable.

Pension income splitting

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

You may also be eligible to split annuity and RRIF (including life income fund) payments, RRSP annuity payments, and PRPP payments if:

- you are 65 years of age or older at the end of the year; or
- you received the payments because of the death of your spouse or common-law partner.

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

Send this form by the filing due date of your income tax and benefit return for the year.

For more information, go to **www.cra.gc.ca/pensionsplitting**, or see the *General Income Tax and Benefit Guide*.

Carrying charges and interest expenses

You can claim carrying charges and interest you paid to earn income from investments. Eligible amounts include:

- fees to manage or take care of your investments (other than administration fees you paid for your registered retirement savings plan or registered retirement income fund);
- fees for certain investment advice (see Interpretation Bulletin IT-238, *Fees Paid to Investment Counsel)* or for recording investment income;
- fees to have someone fill out your income tax and benefit return, but **only** if you have income from a business or property, accounting is a usual part of the operations of your business or property, and you did not use the amounts claimed to reduce the business or property income you reported (see Interpretation Bulletin IT-99, *Legal and Accounting Fees*);
- most interest you pay on money you borrow for investment purposes, but generally only if you use it to try to earn investment income, including interest and dividends. However, if the only earnings your investment can produce are capital gains, you cannot claim the interest you paid; and
- legal fees you incurred relating to support payments that your current or former spouse or common-law partner, or the natural parent of your child, will have to pay to you.

For more information, see line 221 in the *General Income Tax and Benefit Guide*, or call **1-800-959-8281**.

Registered retirement savings plan

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

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

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

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

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

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

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

Transferring income to an RRSP

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

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

- Canada Pension Plan or Quebec Pension Plan benefits;
- old age security benefits;
- periodic superannuation or pension payments; or
- deferred profit sharing plan benefits.

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

Registered pension plan contributions between 1976 and 1985

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

If you made RPP contributions from 1976 to 1985, only $3,500 of those contributions could be deducted in any of those years. Therefore, you may still have contributions that can now be deducted, if you have not already done so.

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

Non-refundable tax credits

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

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

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

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

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

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

Provincial or territorial credits

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

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

GST/HST credit

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

You do not have to apply for the GST/HST credit. When you file your income tax and benefit return, we will determine your eligibility automatically and tell you if you are entitled.

In the "Identification" area on page 1 of your return, enter your marital status and, if it applies, the information about your spouse or common-law partner (including his or her net income, **even if it is zero**). Either you or your spouse or common-law partner may receive the credit, but not both of you. The credit will be paid to the spouse or common-law partner whose return is assessed first.

Generally, eligible individuals will get payments in July and October in the year they file their return, and in January and April of the following year.

After you file your return, we will send you a GST/HST credit notice (usually in July). It will show you how much you will get and how we calculated the amount.

For more information, go to **www.cra.gc.ca/gsthstcredit** or see Booklet RC4210, *GST/HST Credit*. To view your GST/HST information, go to **www.cra.gc.ca/myaccount**.

Are you leaving Canada?

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

There are special rules that apply in the year that you leave Canada if you are planning on leaving to settle in another country. For more information, go to **www.cra.gc.ca/international**.

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.

To log in to My Account, you can use either your CRA user ID and password or the Sign-in Partner option.

An authorized representative can access most of these online services through Represent a Client at **www.cra.gc.ca/representatives**.

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

Electronic payments

Make your payment using:

- your financial institution's online or telephone banking services;
- the CRA's My Payment service at **www.cra.gc.ca/mypayment**; or
- pre-authorized debit at **www.cra.gc.ca/myaccount**.

For more information on all payment options, go to **www.canada.ca/payments**.

For more information

What if you need help?

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

Direct deposit

Direct deposit is a faster, more convenient, reliable, and secure way to get your income tax refund and your credit and benefit payments (including certain related provincial or territorial program payments) directly into your account at a financial institution in Canada.

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

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.

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 Canada Revenue Agency (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 **www.cra.gc.ca/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*.

If the CRA has not resolved your service-related complaint, you can submit 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*.

Reprisal complaint

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

For more information about reprisal complaints, go to **www.cra.gc.ca/reprisalcomplaints**.

Tax information videos

We have a number of tax information videos for individuals on topics such as the income tax and benefit return, students, and tax measures for persons with disabilities. To watch our videos, go to **www.cra.gc.ca/videogallery**.

Community Volunteer Income Tax Program (CVITP)

If you are unable to prepare your income tax and benefit return, community organization volunteers can prepare your tax return for you if you have modest income and a simple tax situation. For more information about the CVITP, or to find out how to volunteer, go to **www.cra.gc.ca/volunteer** or call us at **1-800-959-8281**.