



Canada Revenue  
Agency

Agence du revenu  
du Canada

# When You Retire

## Is this pamphlet for you?

This pamphlet has tax information that may affect you when you retire. We discuss the more common types of income you might receive, as well as deductions and credits you can claim. We also explain how you can pay the income tax you owe by having tax withheld at source or by paying your income taxes by instalments.

### Note

Service Canada provides detailed information for seniors on retirement issues. Follow the "Seniors" link on their Web site at [www.servicecanada.gc.ca](http://www.servicecanada.gc.ca).

## What's new?

**M**y Payment is a new payment option that allows individuals and businesses to make payments online, using the Canada Revenue Agency's Web site, from an account at a participating Canadian financial institution. For more information on this self-service option, go to [www.cra.gc.ca/mypayment](http://www.cra.gc.ca/mypayment).

If you have a visual impairment, you can get our publications in braille, large print, etext (CD or diskette), or MP3 by going to [www.cra.gc.ca/alternate](http://www.cra.gc.ca/alternate) or by calling **1-800-959-2221**. You can also get your personalized correspondence in these formats by calling **1-800-959-8281**.

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La version française de cette publication est intitulée  
*Vous prenez votre retraite?*

## What types of income will you have?

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

### **Old Age Security pension (OAS)**

You will not automatically receive the OAS pension, the Guaranteed Income Supplement (GIS), or the allowance. You have to apply for them at your Service Canada Centre.

#### **Note**

You do not have to renew your application for the GIS each year. If you are eligible for the GIS, you will receive it as long as you file your income tax and benefit return.

To find out if you are eligible, visit the Service Canada Web site at [www.servicecanada.gc.ca](http://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 the OAS pension, GIS, and allowance paid, plus any income tax that was deducted. The OAS pension is taxable and you have to include it in income on your tax return.

The GIS and allowance must also be included in income, but since they are not taxable, you can claim a deduction for these amounts.

If your net income before adjustments (line 234 of your 2009 tax return) is more than \$66,335, you may have to repay all or a part of the OAS pension, GIS, or allowance.

### **Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) benefits**

You will not automatically receive CPP or QPP benefits.

For CPP, you can apply online at [www.servicecanada.gc.ca](http://www.servicecanada.gc.ca) or by completing Form ISP1000, *Application for Canada Pension Plan Retirement*. For QPP, visit the Quebec Pension Plan benefits Web site at [www.rrq.gouv.qc.ca](http://www.rrq.gouv.qc.ca) or call 1-800-463-5185.

You will receive a T4A(P) slip that will show you the CPP and QPP benefits to include in income on your tax return.

## Retiring allowances (severance pay)

A retiring allowance is an amount you receive:

- on or after retiring from an office or employment in recognition of long service;
- for a loss of an office or employment; or
- for unused sick-leave credits.

A retiring allowance is **not**:

- a pension or superannuation benefit;
- an amount paid because an employee dies; or
- a benefit received for certain counselling services that does not have to be included in your income.

Your T4A or T3 slip shows the total amount of your retiring allowance that you have to include in income on your tax return.

## 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 complete your tax return, include the retiring allowance in your income, complete Schedule 7, *RRSP Unused Contributions, Transfers, and HBP or LLP Activities*, from your tax package, and claim an RRSP deduction for the amount of the eligible retiring allowance you transferred to your RRSP.

On a T4A slip, box 26 shows the part of the retiring allowance that is **eligible** for transfer to an RRSP or an RPP. Box 27 of your T4A slip shows the part of the retiring allowance that is **not eligible** for transfer. Add the amounts in box 26 and box 27 of your T4A slip to calculate the total amount of retiring allowance you have to include in your income.

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*.

## **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 tax return. The T4A slip also shows how much income tax was deducted.

## **Foreign pension income**

If you receive pension benefits from a foreign country, you must report the amount of your foreign pension income in Canadian dollars. You can claim a deduction for the part of your foreign pension income that is non-taxable because of a tax treaty.

In some cases, amounts you receive may not be considered pension income, and you may have to report them elsewhere on your tax return. If you do not know if any part of your foreign pension is non-taxable in Canada or if your income is considered pension income, call **1-800-959-8281**.

If you had an individual retirement account (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 receive may qualify for the pension income amount. For more information, see line 314 in your income tax guide.

**Annuity payments**

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

You may receive annuity payments from:

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

**Note**

Annuity payments you receive may qualify for the pension income amount.

For more information, see lines 115, 129, 130, and 314 in your income tax guide.

**Registered retirement savings plan (RRSP) income**

You will get a T4RSP slip that will show the amount of RRSP income to include on your tax return. It will also show how much income tax was deducted.

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 either cash in your RRSP (and pay income tax in that year on the money you receive), or use the money in the plan to buy:

- an annuity for life;

- an annuity spread over a number of years; or
- a registered retirement income fund (RRIF).

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

## Registered retirement income fund (RRIF) payments

This is a fund you establish with a carrier and that we register. You transfer property to the carrier from an RRSP, RPP, or from another 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 payments you receive from a RRIF on your tax return, even though the minimum amount you get each year does not have income tax withheld from it.

## Pension income splitting

You and your spouse or common-law partner can elect to split your eligible pension or superannuation income. You and your spouse or common-law partner may also be eligible to split annuity and registered retirement income fund (RRIF) (including life income fund) payments, and RRSP annuity payments **if** you are 65 years of age or older at the end of the year **or** received the payments because of the death of your spouse or common-law spouse.

To make this election, you and your spouse or common-law partner **must** complete 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. This form is to be filed by the filing due date of your return for the year. For more information, see your income tax guide.

## Investment income

You might receive interest 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 receive an information slip.

**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 information on what to report, see line 121 in your income tax 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 slip or account statement.

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. In all cases, your insurance company will send you a T5 slip. 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 your income tax guide.

## Capital gains and losses

A capital gain or loss occurs when you sell or dispose of property such as real estate or shares. If the total of your gains for the year is more than the total of your losses, you have to include a percentage of the difference in your income.

For more information, see 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 have to include the whole payment on the appropriate line of your tax return in the year you receive it.

We will **not reassess** the returns for the previous years to include this income. However, you can ask us to tax the parts for the 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; and
- Employment and Unemployment Insurance benefits.

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

## How will you pay income tax after you retire?

**W**hen you retire, you may receive 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 tax return.

How you pay the tax you owe will depend on the type of income you receive. 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 only receive investment, rental, or 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 income tax is withheld from pension income you will receive, give a completed 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 complete 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, send a completed Form ISP3520, *Request for Income Tax Deductions*, to your Service Canada Centre.

To get Form ISP3520, contact Service Canada, or visit their site at [www.servicecanada.gc.ca](http://www.servicecanada.gc.ca). You will find the addresses and the telephone numbers on this Web page or in the government section of your telephone book. You can also ask to have income tax deducted from your monthly OAS or CPP benefits by calling **1-800-277-9914**.

## **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 on April 30 of the following year.

For 2008 and subsequent years, you have to pay your income tax by instalments for a year if your **net tax owing** was more than \$3,000 (\$1,800 for residents of Quebec) in that year, and in **either** of the two years previous to it. For more information, see Pamphlet P110, *Paying Your Income Tax by Instalments*. To set up your instalment plan on line, go to **My Account** at [www.cra.gc.ca/myaccount](http://www.cra.gc.ca/myaccount).

## **Reducing and deferring tax**

**I**n your retirement years, you may have income from several sources, and you may be concerned about the amount of income tax you have to pay. The following are some ways you may be able to reduce and defer tax.

### **Carrying charges and interest expenses**

You can claim the following carrying charges and interest you paid to earn income from investments:

- 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), including safety deposit box charges;

- fees for certain investment advice (see Interpretation Bulletin IT-238, *Fees Paid to Investment Counsel*) or for recording investment income;
- fees to have someone complete your tax 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*); and
- most interest you pay on money you borrow for investment purposes, but generally only as long as 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. For more information, call **1-800-959-8281**.

## **Registered retirement savings plan (RRSP)**

An RRSP is a retirement savings plan that you establish, that we register, and to which you or your spouse or common-law partner contribute. Any income you earn in the RRSP is usually exempt from tax for the period the funds remain in the plan. However, you generally have to pay tax when you receive payments from the plan.

If you had earned income for RRSP purposes in the previous year, or your current RRSP deduction limit statement shows that you have an amount available for an RRSP contribution, you can deduct up to that limit, either unused contributions or contributions that you make to your or your spouse's or common-law partner's RRSP on your current-year tax return. However, neither you nor your spouse or common-law partner can contribute to your RRSP after the end of the year you turn 71 years of age.

Your **RRSP deduction limit** appears on your latest notice of assessment, notice of reassessment, or on Form T1028, *Your RRSP Information*. It shows how much you can deduct for RRSP contributions you make based on your earned income from the previous year.

When you file your tax return, you may also have to complete Schedule 7, *RRSP Unused Contributions, Transfers, and HBP or LLP Activities*, from your tax package.

For more information, see line 208 in your income tax guide. To view RRSP information, such as your RRSP deduction limit, go to **My Account** at [www.cra.gc.ca/myaccount](http://www.cra.gc.ca/myaccount).

### **Transferring income to an RRSP**

You may be able to claim a deduction for eligible amounts (such as a retiring allowance) you include in income that you 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 we have registered. It is a plan where funds are set aside by an employer or by an employer and employees to provide a pension to employees when they 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 be deducted.

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 tax return) if you reported pension or annuity income on your tax return.

If you were 65 years of age or older at the end of the year, you may be able to claim a part or all 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 your income tax guide.

## **Other credits**

### **Provincial or territorial credits**

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

If you lived anywhere in Canada except in Quebec on December 31, you may be eligible to claim provincial or territorial credits on your tax return. For more information, see your income tax guide.

## **Goods and services tax/harmonized sales tax (GST/HST) credit**

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

To receive this credit, including any related provincial credit, **you have to apply for it**, even if you received it last year. To apply, **you have to file an income tax and benefit return**, even if you have no income to report. Make sure you enter, in the Identification area on page 1 of your return, your marital status and if it applies, the information concerning your spouse or common-law partner (including his or her net income, **even if it is zero**). Otherwise, your application may be delayed. Either you or your spouse or common-law can receive the credit, but not both. **No matter which one of you applies, the credit will be the same.**

Generally, eligible individuals who apply for the GST/HST credit will receive payments in July and October in the year they apply, and in January and April of the following year. We will send you a GST/HST credit notice (usually in July of the year you apply). It will show you how much you will receive, if any, and how we calculated the amount.

The Canada Revenue Agency (CRA) administers the following provincial programs that are related to the GST/HST credit:

- British Columbia Low Income Climate Action Tax Credit
- Newfoundland and Labrador Harmonized Sales Tax Credit
- Newfoundland and Labrador Seniors' Benefit
- Saskatchewan Low-Income Tax Credit

You do not need to apply separately for these payments. To receive them, you (or your spouse or common-law partner) simply have to apply for the GST/HST credit on your (or your spouse's or common-law partner's) tax return.

To view the details of your GST/HST credit payment, go to **My Account** at [www.cra.gc.ca/myaccount](http://www.cra.gc.ca/myaccount). For more information, see Pamphlet RC4210, *GST/HST Credit*.

## 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 still 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 tax return.

For more information, see Pamphlet P151, *Canadian Residents Going Down South*, or Pamphlet T4131, *Canadian Residents Abroad*. If you are planning on leaving Canada to settle in another country, see Pamphlet T4056, *Emigrants and Income Tax*, for the rules that apply in the year you leave Canada.

## For more information

Contact us, if after reading this pamphlet, you would like to get forms or publications, or you need help.

To get forms or publications, go to [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms) or call 1-800-959-2221.

For more information or enquiries, visit our Web site at [www.cra.gc.ca](http://www.cra.gc.ca) or call 1-800-959-8281.

**My Account** is a secure, convenient, and time-saving 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 now. For more information, go to [www.cra.gc.ca/myaccount](http://www.cra.gc.ca/myaccount).

**T.I.P.S. (Tax Information Phone Service)** – For personal and general tax information by telephone, you can use our automated service **T.I.P.S.** by calling **1-800-267-6999**.

**Teletypewriter (TTY) users** – If you use a TTY because you have a hearing or speech impairment, an agent at our bilingual enquiry service (**1-800-665-0354**) can assist you during regular and evening hours of service.

**Community Volunteer Income Tax Program** – If you need help to complete your tax return, your income is low, and your tax situation is simple, our volunteers are specially trained to help you. For more information about this free program, or if you want to become a volunteer, go to [www.cra.gc.ca/volunteer](http://www.cra.gc.ca/volunteer) or call us at **1-800-959-8281**.

## **Our service complaint process**

If you are not satisfied with the **service** you have received, contact the CRA employee you have been dealing with (or call the phone number you have been given). If you still disagree with the way your concerns are being addressed, ask to discuss the matter with the employee's supervisor.

If the matter is still not resolved, you have the right to file a service complaint by completing Form RC193, *Service-Related Complaint*. If you are still not satisfied with the way the CRA has handled your complaint, you can contact the Taxpayers' Ombudsman.

For more information, go to [www.cra.gc.ca/complaints](http://www.cra.gc.ca/complaints) or see Pamphlet RC4420, *Information on CRA-Service Complaints*.

## **Your opinion counts**

If you have any comments or suggestions that could help us improve our publications, we would like to hear from you. Please send your comments to:



**Taxpayer Services Directorate**  
**Canada Revenue Agency**  
750 Heron Road  
Ottawa ON K1A 0L5