



Registered Education Savings Plans

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NOTE: In this publication, the text inserted between square brackets represents the regular print information.

Registered Education Savings Plans

What is a Registered Education Savings Plan?

A registered education savings plan (RESP) is a contract between an individual (the **subscriber**) and a person or organization (the **promoter**).

Under the contract, the subscriber names one or more **beneficiaries** and agrees to make contributions for them, and the promoter agrees to pay educational assistance payments (EAPs) to the beneficiaries.

Family plans are the only RESP that allow subscribers to name more than one beneficiary. Each beneficiary must be connected by blood relationship or adoption to each living subscriber or have been so tied to a deceased original subscriber.

The Canada Revenue Agency registers the education savings plan contract as an RESP, and lifetime limits are set by the INCOME TAX

ACT on the amount that can be contributed for each beneficiary (see "RESP contribution limits" on page 17 [4]). Unless the RESP is a specified plan (as discussed on page 3 [this page]) the RESP must provide that no contributions (except transfers from another RESP) may be made to the plan at any time after the end of the year that includes the **31st** anniversary of the opening of the plan. Furthermore the plan has to be completed by the end of the year that includes the **35th** anniversary of the opening of the plan.

The **subscriber** (or a person acting for the subscriber) generally makes contributions to the RESP. Subscribers cannot deduct their contributions from their income on their tax return.

The **promoter** usually pays the contributions, and the income earned on those contributions, to the beneficiaries. The income earned is paid as educational assistance payments (EAPs). For more information on EAPs, see page 24 [5].

If the contributions are not paid out to the beneficiary, the promoter usually pays them to the subscriber at the end of the contract. Subscribers do not have to include the contributions in their income when they get them back.

Beneficiaries generally receive the contributions and the EAPs from the promoter. They have to include the EAPs in their income for the year in which they receive them. However, they do not have to include the contributions they receive in their income.

Specified plan

A specified plan is essentially a single beneficiary RESP (non-family plan) under which the beneficiary is entitled to the disability tax credit for the beneficiary's tax year that includes the **31st** anniversary of the plan. Furthermore, a specified plan cannot permit another individual to be designated as a beneficiary under the RESP at any time after the end of the year that includes the **35th** anniversary of the plan.

In addition, no contributions (except transfers from another RESP) may be made to the plan at any time after the end of the year that includes the **35th** anniversary of the plan, and the plan must be completed by the end of the year that includes the **40th** anniversary of the plan.

The following diagram gives an overview of how an RESP generally works.

Subscriber enters into an RESP contract with the promoter and names one or more beneficiaries under the plan.

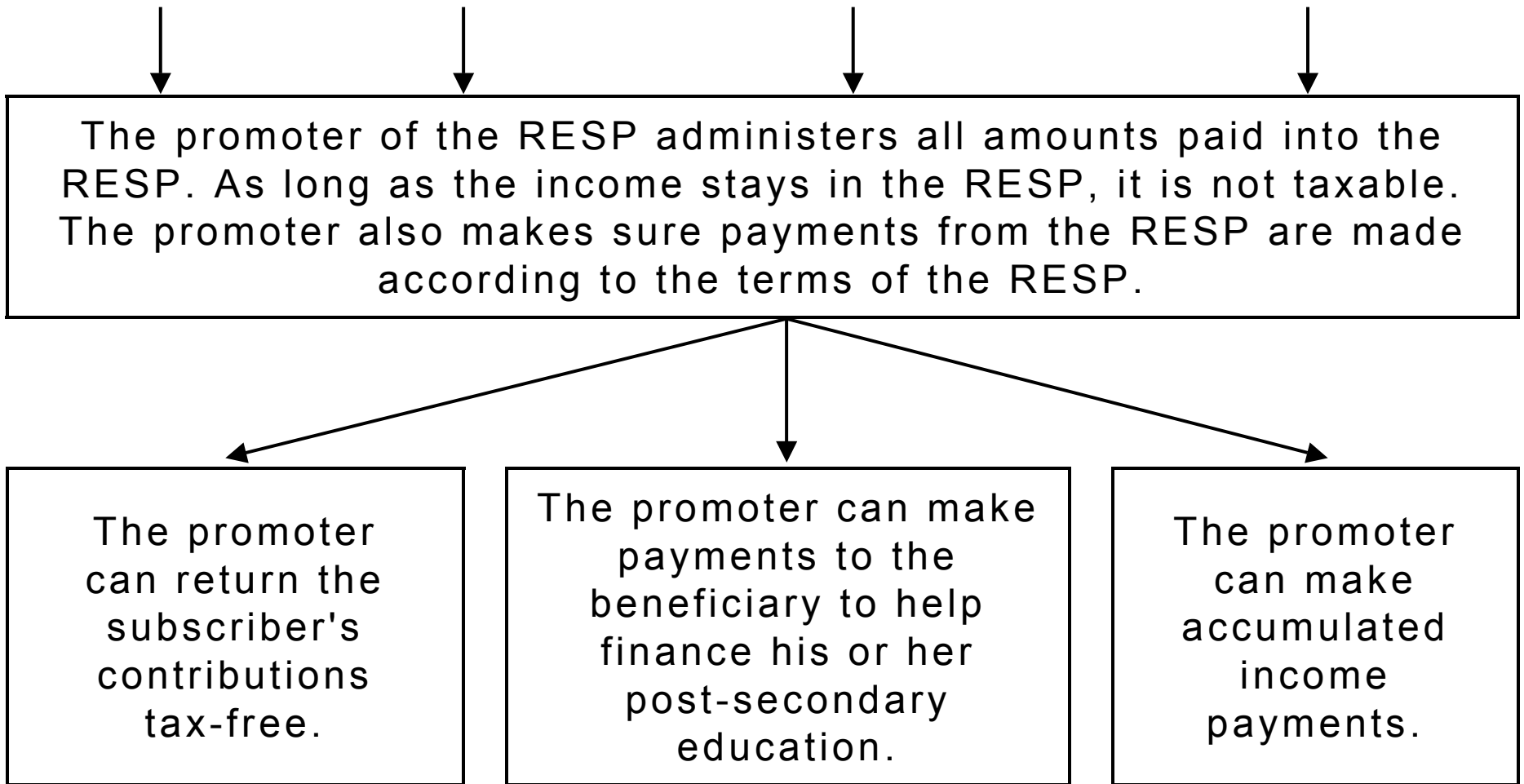
Government grants (if applicable)

Canada Education Savings Grant (CESG) is paid to the RESP.

Canadian Learning Bond (CLB) is paid to the RESP.

Any designated provincial education savings program that is paid to the RESP.

Subscriber makes contributions to the RESP.



Canada Education Savings Grant

Human Resources and Skills Development Canada (HRSDC) provides an incentive for parents, family and friends to save for a child's post-secondary education by paying a grant based on the amount

contributed to an RESP for the child. The Canada Educational Savings Grant (CESG) money will be deposited directly into the child's RESP.

No matter what your family income is, HRSDC pays a **basic** CESG of 20% of annual contributions you make to **all** eligible RESPs for a qualifying beneficiary to a maximum CESG of \$500 in respect of each beneficiary (\$1,000 in CESG if there is unused grant room from a previous year), and a lifetime limit of \$7,200.

HRSDC will also pay an **additional** CESG amount for each qualifying beneficiary. The additional amount is based on your net family income and can change over time as your net family income changes.

For 2011, the **additional** CESG rate on the first \$500 contributed to an RESP for a beneficiary who is a child under 18 years of age is:

- 40% (extra 20% on the first \$500), if the child's family has qualifying net income for the year of \$41,544 or less; or
- 30% (extra 10% on the first \$500), if the child's family has qualifying net income for the year that is more than \$41,544 but is less than \$83,088.

The following chart gives you a brief overview of how the CESG is calculated depending on your family net income:

Canada Education Savings Grant summary chart			
Net Family Income for 2011	\$41,544 or less	\$41,545 to \$83,088	More than \$83,088
CESG on the first \$500 of annual RESP contribution	40% = \$200	30% = \$150	20% = \$100
CESG on \$501 to \$2,500 of annual RESP contribution	20% = \$400	20% = \$400	20% = \$400
Maximum yearly CESG depending on income and contributions	\$600	\$550	\$500

Net Family Income for 2011	\$41,544 or less	\$41,545 to \$83,088	More than \$83,088
Lifetime maximum CESG for which you may qualify	\$7,200	\$7,200	\$7,200

The qualifying net income of the child's family for a year will generally be the same as the income used to determine eligibility for the Canada Child Tax Benefit (CCTB).

Beneficiaries qualify for a grant on the contributions made on their behalf up to the end of the calendar year in which they turn 17 years of age.

However, since the CESG has been designed to encourage long term savings for post-secondary education, there are specific contribution requirements for beneficiaries who attain 16 or 17 years of age. RESPs for beneficiaries 16 and 17 years of age can only receive CESG if at least **one** of the following two conditions is met:

- a minimum of \$2,000 of contributions has been made to, and not withdrawn from, RESPs in respect of the beneficiary before the year in which the beneficiary attains 16 years of age; or
- a minimum annual contributions of at least \$100 has been made to, and not withdrawn from, RESPs in respect of the beneficiary in any four years before the year in which the beneficiary attains 16 years of age.

This means that you must start to save in RESPs for your child before the end of the calendar year in which the beneficiary attains 15 years of age in order to be eligible for the CESG.

The CESG and accumulated earnings will be part of the EAPs paid out of the RESP to the beneficiary.

If the beneficiary does not pursue post-secondary education, the CESG is returned to the government.

Canada Learning Bond

HRSDC provides an additional incentive of up to \$2,000 to help modest-income families start saving early for their child's education after high school (post-secondary education).

The Canada Learning Bond (CLB) money will be deposited directly into the child's RESP.

For families entitled to the National Child Benefit (NCB) supplement for their child, the CLB will provide an **initial** \$500 to children born on or after January 1, 2004. To help cover the cost of opening an RESP for the child, HRSDC will pay an extra \$25 with the first \$500 bond. Thereafter, the CLB will also pay an **additional** \$100 annually for up to 15 years for each year the family is entitled to the NCB supplement for the child.

If the beneficiary does not pursue post-secondary education, the CLB is returned to the government.

For more information on the Canada Education Savings Program, call **1-800-O-CANADA (1-800-622-6232)**.

Alberta Centennial Education Savings Plan Grant

The Alberta centennial education savings plan grant (ACESPG) is a program designed to give Alberta parents an incentive to start planning and saving for their child's post-secondary education.

The Alberta Ministry of Advanced Education and Technology will contribute a **basic** grant of \$500 to the RESP of every child born to Alberta residents in 2005 and after. To be eligible, you must first register your child's birth and obtain a SIN for your child. Then you have to open an RESP for the child.

Additional grants of \$100 are available to children who turn 8, 11, or 14 after January 1, 2005, provided the children are attending school in Alberta or attending a school that is satisfactory to the Ministry of Advanced Education and Technology. These grants require a minimum \$100 invested in an RESP within one year prior to applying.

If the beneficiary does not pursue post-secondary education, the ACESPG is returned to the Government of Alberta.

Residents of Alberta can call **1-866-515-ACES (2237)** toll free to learn more about the ACESPG.

Quebec Education Savings Incentive

The Quebec education savings incentive (QESI) is a tax measure that encourages Quebec families to start saving early for the education of their children and grandchildren.

The incentive, which went into effect on February 21, 2007, consists of a refundable tax credit that is paid directly into a registered education savings plan (RESP) opened with a financial institution or with another RESP provider that offers the QESI.

For the credit to be paid to your account, the trustee designated by your RESP provider must apply for it with Revenu Québec.

If you wish to open an RESP, you may contact an RESP provider that offers the QESI, such as:

- a financial institution;
- a group plan dealer; or

- a financial service provider.

For more information, go to www.revenu.gouv.qc.ca or call Service Quebec at **1-877-644-4545**.

Who can be a subscriber?

Except for family plans, generally, there are no restrictions on who can be the **original subscriber** under an RESP:

- You and your spouse or common-law partner, as defined in our guides, can be joint original subscribers under an RESP.
- A public primary caregiver of a beneficiary under an RESP may also be an original subscriber. A public primary caregiver is one who receives a special allowance under the CHILDREN'S SPECIAL ALLOWANCES ACT and may be:
 - the department, agency or institution that cares for the beneficiary; or
 - the public trustee or public curator of the province in which the beneficiary resides.

If you are not the original subscriber, you can become a subscriber only in the following situations:

- you are a spouse or common-law partner, or ex-spouse or former common-law partner, of a subscriber and you get the subscriber's rights under the RESP as a result of a court order or written agreement for dividing property after a breakdown of the relationship;
- you are another individual or another public primary caregiver who has, under a written agreement, acquired a public primary caregiver's rights as a subscriber under the RESP;
- you acquired the subscriber's rights under the RESP, or you continue to make contributions into the RESP for the beneficiary, after the death of a subscriber under the RESP; or
- you are the deceased subscriber's estate that acquired the subscriber's rights under the RESP, or that continues to make contributions into the RESP for the beneficiary, after the death of a subscriber under the RESP.

All subscribers under an RESP have to give their social insurance number (SIN) to the promoter before we can register the RESP.

Who can become a beneficiary?

Under proposed changes, you will be able to designate an individual as a beneficiary under the RESP only if:

- the individual's SIN is given to the promoter before the designation is made; and
- the individual is resident in Canada when the designation is made.

Notes

Under proposed changes, the SIN may not be required if the beneficiary is a non-resident individual who has not received a SIN before the designation is made.

The residency requirement **does not apply** when the designation is made in conjunction with a transfer of property from another RESP under which the individual was a beneficiary immediately before the transfer. A beneficiary under a family plan entered into after 1998, must be less than **21** years of age at the time he or she is named as

a beneficiary. When one family plan is transferred to another, a beneficiary who is **21** years of age or older can still be named a beneficiary to the new RESP.

RESP contributions

Under proposed changes, you will be able to make contributions for a beneficiary only if:

- the beneficiary's SIN is given to the promoter before the contribution is made and the beneficiary is resident in Canada; or
- the contribution is made by way of a transfer from another RESP under which the individual was a beneficiary immediately before the transfer.

Note

Under proposed changes, if the plan was entered into before 1999, the beneficiary's SIN will not be required. However, such contributions will continue to be ineligible for the Canada Education Savings Grant (CESG).

Generally, you can contribute to family plans for beneficiaries who are under **31** years of age at the time of the contribution. However, transfers can be made from another family plan even if one or more of the beneficiaries are **31** years of age or older at the time of the transfer.

RESP contracts can take advantage of the new age limit as long as the specimen plan under which the contract is held is amended. The amendment must be applicable for 2008 and subsequent taxation years.

RESP contributions **cannot be** deducted from your income on your return. In addition, you cannot deduct the interest you paid on money you borrowed to contribute to an RESP.

RESP contribution limits

For 2007 and later years, there is no annual limit for contributions to RESPs and the lifetime limit on the amounts that can be contributed to all RESPs for a beneficiary is \$50,000.

Payments made to an RESP under the CANADA EDUCATION SAVINGS ACT or under a designated provincial program are not included when determining if the lifetime limit has been exceeded.

Tax on RESP excess contributions

An excess contribution occurs at the end of a month when the total of all contributions made by all subscribers to all RESPs for a beneficiary is more than the lifetime limit for that beneficiary. We do not include payments made to an RESP under the Canada Education Savings Program (CESP) or any designated provincial program when determining whether a beneficiary has an excess contribution.

Each subscriber for that beneficiary is liable to pay a 1% per-month tax on his or her share of the excess contribution that is not withdrawn by the end of the month. The tax is payable within 90 days after the end of the year in which there is an excess contribution. An excess contribution exists until it is withdrawn.

You have to inform us of your share of the excess contribution to all RESPs for a beneficiary. To calculate the amount of tax you have to pay on your share of the excess contribution for a year, complete

Form T1E-OVP, INDIVIDUAL TAX RETURN FOR RESP EXCESS CONTRIBUTION FOR _____.

You can get this form on our Web site by going to **www.cra.gc.ca/forms** or by calling us at **1-800-959-2221**.

There are limits on the amounts that can be contributed to RESPs for a beneficiary.

For each beneficiary, the **annual limit** for contributions to all RESPs for years after 1995 is:

- for 1996, \$2,000;
- for 1997 to 2006, \$4,000; and
- for 2007 and subsequent years, there is no limit.

For each beneficiary, the **lifetime limit** for contributions to all RESPs for years after 1995 is:

- for 1996 to 2006, \$42,000; and
- for 2007 and subsequent years, \$50,000.

Payments made to an RESP under the CANADA EDUCATION SAVINGS ACT or any designated provincial programs are not included when determining if the annual or lifetime limits have been exceeded.

Note

You can reduce the amount subject to tax by withdrawing the excess contributions. However, in determining whether the lifetime limit has been exceeded, we include the withdrawn amounts as contributions for the beneficiary even though they have been withdrawn.

Example (lifetime limit)

In 1992, Hugh established an RESP for his son Allan and contributed a total of \$32,000 to it prior to 2011. Allan's grandmother, Cathy, also opened an RESP for Allan in 1992, and prior to 2011, contributed \$16,000 to it. None of the prior year contributions made by Hugh and Cathy exceeded the annual or lifetime limits that were applicable in those prior years.

In January 2011, Hugh contributed \$1,000 and Cathy contributed \$500 to their respective RESPs and in July, both Hugh and Cathy contributed an additional \$500. Hugh subsequently withdrew \$500 in December.

The lifetime limit on all contributions that can be made to all RESPs for Allan is \$50,000. Together Hugh and Cathy had contributed \$48,000 to RESPs for Allan before 2011 and at the end of January 2011, the total contributions were \$49,500 which was still within the lifetime limit for contributions to RESPs for Allan. However, at the end of July the total contributions were \$50,500 and the lifetime limit was exceeded by \$500.

Hugh and Cathy's share of the lifetime contributions		
Contribution amounts	Hugh	Cathy
Before 2011	\$32,000	\$16,000
January 2011	\$1,000	\$500
July 2011	\$500	\$500
December 2011 (withdrawal)	(\$500)	\$0
Share of the lifetime contributions	\$33,500	\$17,000

Lifetime excess contributions for 2011	
Hugh's lifetime contributions to an RESP for Allan	\$ 32,000
Cathy's lifetime contributions to an RESP for Allan	+ \$ 16,000
Total contributions to an RESP for Allan	= \$ 48,000
Maximum allowable for 2011 (50,000 – 48,000)	\$ 2,000
Total of contributions made in 2011	\$ 2,500
Excess contributions	\$ 500

Hugh's share of the lifetime excess contributions for 2011 was \$300. This was determined by multiplying his proportion of the total contributions made to both RESPs in 2011 ($\$1,500/\$2,500$) by the excess (\$500) or ($\$1,500/\$2,500 \times \500). Similarly, Cathy's share was \$200 ($\$1,000/\$2,500 \times \500).

Hugh's tax payable for 2011 is calculated as follows: Hugh's tax on his share of the excess contribution is calculated for each month the excess contribution remains in the RESP. For July to November, Hugh's tax is $\$300 \times 1\% \times 5$ months or \$15.00.

Cathy's tax payable for 2011 is calculated as follows: Cathy's tax on her share of the excess contribution is calculated for each month the excess contribution remains in the RESP. For July to November, Cathy's tax is $\$200 \times 1\% \times 5$ months or \$10.00. Because Hugh withdrew the excess amount in December 2011, neither Cathy nor Hugh must pay any tax on the excess contribution in December.

Payments from an RESP

The promoter can make the following types of payments:

- refund of contributions to the subscriber or to the beneficiary;
- educational assistance payments (EAPs);
- accumulated income payments (AIPs);
- payment to a designated educational institution in Canada (for more information, see Information Circular IC93-3R1, REGISTERED EDUCATION SAVINGS PLANS);
- repayment of amounts under the CANADA EDUCATIONAL SAVINGS ACT or under a designated provincial program; and

- payment to a trust to accommodate transfers of property between RESPs.

Refund of contributions to the subscriber or the beneficiary

Subject to the terms and conditions of the RESP, the promoter can return your contributions to you tax-free when the contract ends or at any time before. Promoters do not issue a T4A slip, STATEMENT OF PENSION, RETIREMENT, ANNUITY AND OTHER INCOME, to report these payments. **Do not** include these payments as income on your tax return.

The promoter can also pay the contributions tax-free to the beneficiary. This is in addition to any taxable educational assistance payments. Refer to the next section for more details.

Educational Assistance Payments

An educational assistance payment (EAP) is the amount paid to a beneficiary (a student) from an RESP to help finance the cost of post-secondary education. An EAP consists of the Canada Educational Savings Grant, the Canada Learning Bond, amounts paid

under a designated provincial program and the earnings on the money saved in the RESP. The promoter reports EAPs in box 042 on a T4A slip and sends a copy to the student. The student includes the EAPs as income on his or her return for the year the student receives them.

The promoter can only pay EAPs to or for a student if **one** of the following situations applies:

- the student is enrolled in a **qualifying educational program**. This includes students attending a post secondary educational institution and those enrolled in distance education courses, such as correspondence courses, provided by such institutions; or
- the student has attained the age of 16 years and is enrolled in a **specified educational program**.

A beneficiary is entitled to receive EAPs for up to six months after ceasing enrolment, provided that the payments would have qualified as EAPs if the payments had been made immediately before the student's enrolment ceased.

A **qualifying educational program** is an educational program at post-secondary school level, that lasts at least three consecutive weeks, and that requires a student to spend no less than 10 hours per week on courses or work in the program.

A **specified educational program** is a program at post-secondary school level that lasts at least three consecutive weeks, and that requires a student to spend not less than 12 hours per-month on courses in the program.

A **post-secondary educational institution** includes:

- a university, college, or other designated educational institution in Canada;
- an educational institution in Canada certified by Human Resources and Skills Development Canada (HRSDC) as offering non-credit courses that develop or improve skills in an occupation; and
- a university, college, or other educational institution outside Canada that has courses at the post-secondary school level, as long as the student is enrolled in a course that lasts at least 13 consecutive weeks.

Limit on EAPs

For RESPs entered into after 1998, the maximum amount of EAPs that can be made to a student as soon as he or she qualifies to receive them is:

- **for studies in a qualifying educational program** – \$5,000, for the first 13 consecutive weeks in such a program. After the student has completed the 13 consecutive weeks, there is no limit on the amount of EAPs that can be paid if the student continues to qualify to receive them. If there is a 12-month period in which the student is not enrolled in a qualifying educational program for 13 consecutive weeks, the \$5,000 maximum applies again; or
- **for studies in a specified educational program** – \$2,500, for the 13-week period whether or not the student is enrolled in such a program throughout that 13-week period.

Subject to the terms and conditions of the RESP, the promoter can supplement the \$5,000 or \$2,500 EAP by paying a portion of the contributions tax-free to the beneficiary.

HRSDC may, on a case-by-case basis, approve an EAP amount of more than the [above] limit on page 27 if the cost of tuition **plus** related expenses for a particular program is substantially higher than the average. For information on how to request approval of an EAP of more than \$5,000 or \$2,500, promoters should call the Canada Education Savings Program at **1-888-276-3624**.

Accumulated Income Payments

Accumulated income payments (AIPs) are amounts, usually paid to the subscriber, of the income earned from an RESP. An AIP **does not include:**

- the payment of EAPs;
- payments to a designated educational institution in Canada;
- the refund of contributions to the subscriber or to the beneficiary;
- transfers to another RESP; or
- repayments under the CESP or under a designated provincial program.

AIPs cannot be made as a single joint payment to separate subscribers.

An RESP may allow for AIPs when the following conditions are met:

- the payment is made to, or for, a subscriber under the RESP who is resident in Canada;
- the payment is made to, or for, only one subscriber of the RESP.

Note

When more than one individual is entitled to receive accumulated income payments from the plan, the payments must be made separately to each person. No joint payments are allowed.

Also, **any one** of the following three conditions must also apply:

- the payment is made after the year that includes the 9th anniversary of the RESP and each individual (other than a deceased individual) who is or was a beneficiary has reached 21 years of age and is not currently eligible to receive an EAP (see Note on page 30 [below]);

- the payment is made after the year that includes the 35th anniversary of the RESP, unless the RESP is a **specified plan** (see the definition on page 3 [1]) in which case the payment is made after the year that includes the 40th anniversary of the RESP (see Note below); or
- all the beneficiaries under the RESP are deceased.

Note

We may waive the first two conditions if it is reasonable to expect that a beneficiary under the RESP will not be able to pursue post-secondary education because he or she suffers from a severe and prolonged mental impairment. Such requests have to be made by the RESP promoter in writing to the following address:

Registered Plans Directorate
Canada Revenue Agency
Ottawa ON K1A 0L5

An RESP must be terminated by the end of February of the year after the year in which the first AIP is paid.

How AIPs are taxed

Promoters report AIPs in box 040 of a T4A slip, STATEMENT OF PENSION, RETIREMENT, ANNUITY AND OTHER INCOME, and send a copy to the recipient of the AIP. The recipient has to include the AIP as income on his tax return for the year he receives it. An AIP is subject to two different taxes: the **regular income tax** and an **additional tax** of 20% (12% for residents of Quebec).

Regular tax – This is the tax you calculate when you complete your return. It is based on your total taxable income.

Additional tax – You calculate this tax separately, using Form T1172, ADDITIONAL TAX ON ACCUMULATED INCOME PAYMENTS FROM RESPs. Include a completed copy of Form T1172 with your return for the year you receive the AIP. You have to pay the additional tax by the balance due date for your regular tax, usually April 30 of the year that follows the year in which you received the AIP.

Reducing the amount of AIPs subject to tax – You can reduce the amount of AIPs subject to tax if you are the original subscriber or, where there is no other subscriber, the spouse or common-law partner

of a deceased original subscriber and you meet **both** of the following conditions:

- you contribute an amount not more than the amount of the AIPs (to a lifetime maximum of \$50,000 worth of AIPs) to your registered retirement savings plan (RRSP), or your spouse's or common-law partner's RRSP, in the year the AIPs are received or in the first 60 days of the following year; and
- your RRSP deduction limit allows you to deduct the amount contributed to your or your spouse's or common-law partner's RRSP on line 208 of your tax return. Claim the deduction for the year in which any payments are made.

You cannot reduce the AIPs subject to tax if you became a subscriber because of the death of the original subscriber.

By claiming an RRSP deduction, you reduce your taxable income, which reduces your regular tax. The RRSP deduction also reduces the amount of additional tax payable by reducing the amount of AIPs subject to tax (see Form T1172). If the amount of the RRSP deduction equals the amount of the AIPs, the taxes on the AIPs are zero.

Promoters usually have to withhold regular and additional taxes on AIPs. However, they do not have to withhold tax if **both** of the following apply:

- the AIPs are transferred directly to your or your spouse's or common-law partner's RRSP; and
- your RRSP deduction limit allows you to deduct the contribution in the year it is made.

Complete Form T1171, TAX WITHHOLDING WAIVER ON ACCUMULATED INCOME PAYMENTS FROM RESPs, to ask the promoter to transfer the payment directly to your or your spouse's or common-law partner's RRSP without withholding tax.

Example

The RESP under which Mary is an original subscriber allows AIPs. In July 2011, Mary received an AIP of \$16,000. She completed Form T1171 to have \$14,000 transferred directly by the promoter to her RRSP. Mary's RRSP deduction limit for 2011 is \$14,000. She did not make any other RRSP contributions during the year. She was a resident of Manitoba on December 31.

Mary completes Form T1172 to determine the amount of additional tax she has to pay for 2011 as follows:

AIP for 2011		\$	16,000
<hr/>			
Amount Mary deducts for 2011 for RRSP contributions from an AIP (this amount cannot be more than \$50,000 for all years)	–		14,000
<hr/>			
Amount subject to the additional tax	=	\$	2,000
<hr/>			
Rate	×		20%
<hr/>			
Additional tax payable	=	\$	400
<hr/>			

Mary reports the AIP of \$16,000 on line 130 and the additional tax on line 418 of her 2011 tax return. She also claims the RRSP deduction of \$14,000 on line 208 and attaches a copy of Form T1172 to her return.

If Mary had received the amount in January 2011 and transferred it to an RRSP (provided her RRSP deduction limit was sufficient) she could have decided to claim all or part of the deduction for the 2010

tax year. This would have been possible because the amount would have been transferred in the first 60 days of 2011.

However, had she done so, she would not have been allowed to reduce the additional tax because the amount transferred to her RRSP has to be deducted on the tax return for the year in which the amount is received.

That is, on her 2011 tax return, Mary would determine the additional tax payable based on the full \$16,000 of the AIP. The additional tax is \$3,200 ($\$16,000 \times 20\%$).

Special rules

Changing the beneficiary

Generally, when you replace one RESP beneficiary with a new beneficiary, we treat the contributions for the former beneficiary as if they had been made for the new beneficiary on the date they were originally made. If the new beneficiary already has an RESP, this may create an excess contribution.

This rule **does not apply** in the following situations:

- the new beneficiary is a brother or sister of the former beneficiary and is under 21 years of age;
- both beneficiaries are connected by a blood relationship or adoption to an original subscriber of the RESP, and both are under 21 years of age.

In these situations, we do not include the contributions made for the former beneficiary when we determine whether the new beneficiary's lifetime contribution limit has been exceeded.

Transferring RESP property to another RESP

Most transfers from one RESP to another RESP will have no tax implications. This is the case when the transferring RESP and the receiving RESP have the same beneficiary. There are also no tax implications when a beneficiary under the transferring RESP has a brother or sister (under 21 years of age before the transfer is made) who is a beneficiary under the receiving RESP.

In any other case, transfers can result in an excess contribution. This is because the RESP contribution history for each beneficiary under the transferring RESP is assumed by each beneficiary under the receiving RESP. We treat each contribution as if it had been made into the receiving RESP. In addition, we treat each subscriber under the transferring RESP as a subscriber under the receiving RESP. This means that he or she is liable for any tax on excess contribution.

Currently, a transfer of assets between individual RESPs may result in tax penalties and the repayment of the Canada Education Savings Grants and Canada Learning Bonds when the transfer occurs between plans held by siblings and the plan receiving the transfer amount is held by a sibling whose age exceeds 21.

Under proposed changes, transfers of assets that occur after 2010, will allow these transfers without penalties and repayments if each beneficiary of a plan receiving the transfer of assets had not reached 21 years of age when the plan was opened.

For more information

What if you need help?

If you need help after reading this publication, visit **www.cra.gc.ca** or call **1-800-959-8281**.

Forms and publications

To get our forms or publications, go to **www.cra.gc.ca/forms** or call **1-800-959-2221**.

My Account

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. For more information, go to **www.cra.gc.ca/myaccount** or see Pamphlet RC4059, MY ACCOUNT FOR INDIVIDUALS.

Electronic payments

Make your payment online using the CRA's My Payment service at www.cra.gc.ca/mypayment or using your financial institution's telephone/Internet banking services. For more information, go to www.cra.gc.ca/electronicpayments or contact your financial institution.

Tax Information Phone Service (TIPS)

For personal and general tax information by telephone, use our automated service, TIPS, by calling **1-800-267-6999**.

Teletypewriter (TTY) users

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

Our service complaint process

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

pleased with the way your concerns are addressed, you can ask to discuss the matter with the employee's supervisor.

If the matter is not settled, you can then file a service complaint by completing Form RC193, SERVICE-RELATED COMPLAINT. If you are still not satisfied, you can file a complaint with the Office of the Taxpayers' Ombudsman.

For more information, go to www.cra.gc.ca/complaints or see Booklet RC4420, INFORMATION ON CRA – SERVICE COMPLAINTS.

Related forms and publications

Forms

RC193 Service-Related Complaint

T1E-OVP Individual Tax Return for RESP excess contribution
for _____

T1171 Tax Withholding Waiver on Accumulated Income Payments
From RESPs

T1172 Additional Tax on Accumulated Income Payments From
RESPs

T4A Statement of Pension, Retirement, Annuity, and Other
Income

Publications

RC4059 My Account for individuals

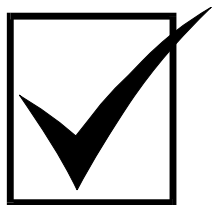
RC4420 Information on CRA – Service Complaints

Information Circulars

IC93-3R1 Registered Educational Savings Plans

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:



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Canada Revenue Agency
750 Heron Road
Ottawa ON K1A 0L5