



Advantage Tax Return for TFSA Issuers

Issuer identification

Name, Address, PO Box, RR, City, Prov./Terr., Postal code, Person to contact, Name and address of the corporation or trust filing this return

Issuer's TFSA RZ program account

TFSA identification number

Type of TFSA: Trust, Annuity contract, Deposit

You must file this return by June 30th after the end of the calendar year. The tax payable is 100% of the fair market value of the benefit or amount of a loan or debt, as applicable. The issuer is liable for the tax if the advantage is extended to the individual by the issuer, or by a person who does not deal at arm's length with the issuer. For definitions, see the back of this return.

Table with columns: TFSA contract or account number, Specify the advantage provided, Fair market value of the benefit or amount of the loan or debt, Number of persons receiving the advantage, Total. Includes total and payment enclosed fields.

Send this return with your payment to: TFSA Processing Unit, Post Office Box 9768, Station T Ottawa ON K1G 3X9

Period in which the advantage was provided: From Year Month Day To Year Month Day

Certification: I certify that the information given on this return and in any attached documents is correct and complete. Signature of contact person, Year Month Day, Telephone number. It is a serious offence to make a false return.

Privacy Act, personal information bank numbers CRA PPU 054 and CRA PPU 226



## Definitions

**Advantage** – an advantage is any loan, benefit or debt that depends on the existence of the TFSA. An advantage also includes any benefit that is an increase in the total fair market value (FMV) of the property held in connection with the TFSA that can reasonably be considered attributable, directly or indirectly, to one of the following:

- a transaction or event (or a series of transactions or events) that would not have occurred in a normal commercial or investment context where parties deal with each other at arm's length and act prudently, knowledgeably, and willingly with each other, and one of the main purposes of which is to enable the holder (or another person or partnership) to benefit from the tax exempt status of the TFSA;
- a payment received in substitution for either:
  - a payment for services provided by the holder (or another person not at arm's length with the holder); or
  - a payment of a return on investment or proceeds of disposition for property held outside of a TFSA by the holder, or a person not dealing at arm's length with the holder;
- a **swap transaction**; or
- **specified non-qualified investment income** that has not been distributed from a TFSA within 90 days of the holder of a TFSA receiving a notice from us requiring them to remove the amount from the TFSA.

An advantage also includes any benefit that is income (excluding the dividend gross-up) or a capital gain that is reasonably attributable, directly or indirectly, to one of the following:

- a deliberate over contribution to a TFSA; or
- a prohibited investment for any TFSA of the holder.

### Note

If the advantage is extended by the issuer of a TFSA, or by a person with whom the issuer is not dealing at arm's length, the issuer, and not the holder of the TFSA, is liable to pay the tax resulting from the advantage.

**Advantage does not include:** TFSA distributions, administrative or investment services in connection with a TFSA, loans on arm's length terms, payments or allocations (such as bonus interest) to a TFSA by the issuer, or a benefit provided under an incentive program that is offered to a broad class of persons in a normal commercial or investment context and not established mainly for tax purposes.

**Prohibited investment** – this is property to which the TFSA holder is closely connected, it includes:

- a debt of the holder;
- a debt or share of, or an interest in, a corporation, trust or partnership in which the holder has a significant interest (generally a 10% or greater interest, taking into account non-arm's length holdings); and
- a debt or share of, an interest in, a corporation, trust or partnership with which the holder does not deal at arm's length.

A prohibited investment does not include a mortgage loan that is insured by the Canada Mortgage and Housing Corporation or by an approved private insurer. It also does not include certain investment funds and certain widely held investments which reflect a low risk of self-dealing.

**Specified non-qualified investment income** – income (excluding the dividend gross-up) or a capital gain that is reasonably attributable, directly or indirectly, to an amount that is taxable for any TFSA of the holder (for example, subsequent generation income earned on non-qualified investment income or on income from a business carried on by a TFSA).

**Swap transaction** – this is any transfer of property between the TFSA and the holder (or a person not at arm's length with the holder) occurring after June 2011, subject to certain exceptions.

The following are **not** considered to be "swap transactions":

- Contributions, distributions and purchase and sale transactions between TFSAs of the holder; or
- Transactions related to insured mortgage loans.

An exception is also provided to allow individuals to "swap out" a non-qualified or prohibited investment provided that the conditions for a refund of the 50% tax on such investment are met. To qualify under this exception, the individual must be entitled to a refund of the tax on disposition of the investment (generally inadvertent cases that are promptly resolved).