



Canada Revenue  
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# Retirement Compensation Arrangements Guide

# 2014

Available electronically only

## Is this guide for you?

This guide is for you if one of the following applies:

- You are an **employer** and you make contributions to a custodian for a retirement compensation arrangement (RCA). For an explanation of RCAs see page 5.
- You are a **custodian** of an RCA trust who:
  - receives contributions from an employee or employer for an RCA;
  - files a T3-RCA tax return for an RCA trust; or
  - makes distributions out of an RCA trust to a beneficiary.
- You **buy an interest** in an RCA.

- You submitted a pension plan for registration and **we refused to register the plan** as a registered pension plan (RPP). In this case, we generally consider that any contributions made to the plan before the date of final determination are contributions to an RCA.

### Do you need to read the whole guide?

If you bought an interest in an RCA, you do not need to read the whole guide. We have used the ▲ symbol to direct you to the information you may need. This symbol appears in the right margins of the guide.

Before you start, be sure to read “Appendix 1 – Person who bought an interest in an RCA” on page 23.

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](http://www.cra.gc.ca/alternate). You can also get our publications and your personalized correspondence in these formats by calling **1-800-959-5525**.

### Confidentiality of information

Under the *Privacy Act*, the personal information you give on RCA information and tax returns and related forms can be used only for the purposes authorized by law.

### Income Tax Act references

Unless otherwise noted, all legislative references are to the *Income Tax Act* and the *Income Tax Regulations*.

## What's new?

### **Form T3-DD, *Direct Deposit Request for T3***

Custodians can have the trust's refund deposited into the trust's bank account at a Canadian financial institution. You can start, change, or stop the trust's direct deposit

information by completing Form T3-DD, *Direct Deposit Request for T3*. A direct deposit request will stay in effect until the custodian or other authorized person changes the information or cancels the request. For more information, see "Direct deposit" on page 28.

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## Chapter 1 – General information

### What is an RCA?

#### Definition

A retirement compensation arrangement (RCA) is a plan or an arrangement under which an employer, former employer, and in some cases an employee makes contributions to a person or partnership, referred to as a custodian.

The custodian holds the funds in trust with the intent of eventually distributing them to the employee, former employee or other beneficiary on, after, or in contemplation of:

- an employee's retirement;
- an employee's loss of an office or employment; or
- any substantial change in the services the employee provides (for example, a senior corporate director who, after termination, is retained on a part time basis to teach a management course to new trainees may be considered to have substantially changed the services being provided for the purposes of the definition of an RCA).

An employer or former employer may acquire an interest in a life insurance policy (including an annuity) to fund benefits on, after, or in contemplation of any of the situations as listed above. In this case, we consider this interest to be the property of an RCA and the employer to be the custodian of the RCA.

#### Refundable tax

The contributions made by the employer to the custodian are taxable under Part XI.3 of the Act. The withholding tax under Reg. 103(7) is equal to 50% of the amount of the contributions. The employer sends this tax to the Canada Revenue Agency (CRA) for the RCA trust. However, the tax is refundable to the custodian upon processing of the T3-RCA, *Retirement Compensation Arrangement (RCA) Part XI.3 Tax Return*, taking into account any distributions made out of the RCA trust and income earned by the trust during the year.

Any income from business or property, any capital gains earned in the RCA trust and any employee contributions are also taxable under Part XI.3 of the Act at the 50% refundable tax rate. The custodian remits this tax to us and we refund it as distributions are made.

The custodian has to file a T3-RCA, *Retirement Compensation Arrangement (RCA) Part XI.3 Tax Return*, each year, even if there has been no activity in the RCA trust in the year. When filing the tax return, the custodian ensures that the correct amount of refundable tax has been sent to us or has been refunded to the RCA trust.

#### Distributions

All distributions out of an RCA trust are taxable. The custodian has to provide the beneficiary with a T4A-RCA slip, *Statement of Distributions from a Retirement Compensation Arrangement (RCA)*, showing the amount of distributions and the income tax deducted. The beneficiary

reports the amount distributed as income and claims the income tax deducted on his or her income tax and benefit return for the year it is received.

#### Annuity contract

When the custodian of an RCA buys an annuity contract to be held by the beneficiary as the legal owner, we consider that the amount paid to buy the contract is a taxable distribution out of the RCA trust to the beneficiary. The full amount is taxable in the year the custodian buys the contract and the custodian has to issue a T4A-RCA slip showing the amount of the distribution and the income tax deducted.

#### Excluded arrangements

Certain retirement arrangements (such as registered pension plans, deferred profit-sharing plans, salary deferral arrangements, and employee trusts) **do not** qualify as RCAs. For other excluded arrangements, see the definition of **retirement compensation arrangement** in subsection 248(1) of the Act.

## Chapter 2 – Employer responsibilities

This chapter covers the following employer responsibilities:

- filing Form T733, *Application for a Retirement Compensation Arrangement (RCA) Account Number*, to apply for employer (RC) and custodian (T) trust account numbers;
- withholding refundable tax and remitting it to us using Form T901B, *Statement of Account*;
- filing the T737-RCA information return, comprising the slips (*T737-RCA Statement of Contributions Paid to a Custodian of a Retirement Compensation Arrangement (RCA)*) and summary (*T737-RCASUM Information Return of Contributions Paid to a Custodian of a Retirement Compensation Arrangement (RCA)*), to report contributions you made to the custodian of an RCA trust;
- reporting deductible RCA contributions to the employee; and
- providing a certificate of amendment when there is a change to the legal name.

### Applying for RC and T accounts

After establishing an RCA with a custodian, you have to complete Form T733. We use this form to open the following two accounts:

- the RC employer account that we and the employer use to monitor the 50% refundable tax on hand for contributions made to the custodian; and
- the T custodian trust account that we and the custodian use to monitor the balance of the refundable tax on hand for the RCA trust.

**Note**

The nine character **CS** series custodian account number has been replaced with a nine character **T** series custodian trust account number.

When we receive your completed Form T733 along with a copy of the RCA trust agreement (with an original signature), we will give you an employer account number starting with the letters **RC**. We will also give the custodian a separate custodian trust account number starting with the letter **T**.

- The employer uses the **RC** employer account number when remitting the refundable tax on contributions made to the custodian.
- The custodian uses the **T** custodian trust account number when filing a T3-RCA tax return and when remitting refundable tax on employee contributions and on income earned in the RCA trust.

## **Completing Form T733, *Application for a Retirement Compensation Arrangement (RCA) Account Number***

You have to enter the following information on Form T733:

### **Employer's language of correspondence**

Tick (✓) the appropriate box.

### **Custodian's language of correspondence**

Tick (✓) the appropriate box.

#### **Line 1 – Employer's legal name**

Enter the employer's legal name. The employer may operate under a different name; however, we need the legal name, not the operating name (do not use more than 60 characters). The employer's legal name will be modified to meet our requirements if it is longer than 60 characters.

#### **Line 2 – Employer's address**

Enter the employer's complete address.

#### **Line 3 – Name and telephone number of employer's representative**

Enter the name and telephone number of the person we can contact if we need more information about the RCA. The appropriate representative is usually the employer's controller or payroll clerk, not the accounting firm that prepares the financial information.

#### **Line 4 – RCA trust's name**

Enter the full name of the RCA trust (do not use more than 60 characters). The same name must be used on all returns and correspondence when referring to the trust. The name of the trust will be modified to meet our requirements if it is longer than 60 characters.

#### **Line 5 – Custodian's name and telephone number**

Enter the full name and telephone number of the custodian for the RCA trust. The custodian is often a trust company or other financial institution.

#### **Line 6 – Custodian's address**

Enter the custodian's complete address.

#### **Line 7 – Name and telephone number of custodian's representative**

Enter the name and telephone number (including the area code) of the person we can contact if we need more information about the RCA trust.

#### **Line 8 – Date this RCA became effective**

Enter the date the RCA became effective.

#### **Line 9 – Contributions already made to the custodian for this RCA trust**

If you made contributions to the custodian, list the dates and amounts of those contributions.

#### **Line 10 – Contributions to be made in the year the RCA becomes effective**

If you intend to make contributions to the custodian in the year the RCA becomes effective, list the expected dates and amounts of those contributions.

#### **Line 11 – Address for books and records**

Tick (✓) the appropriate box. If the address is not the same as the one on line 2 or 6, enter the address where the books and records of the RCA will be kept.

#### **Line 12 – Distributions out of this RCA trust**

Tick (✓) the **yes** or **no** box, whichever applies, to indicate whether more than one employee will receive distributions from this RCA trust.

### **Certification**

An authorized officer of the employer has to complete and sign this area.

### **Filing Form T733**

Send the completed original of Form T733 and a signed copy of the RCA trust agreement to:

RCA Unit  
Winnipeg Tax Centre  
66 Stapon Road  
Winnipeg MB R3C 3M2

Keep a photocopy for your records.

## **Withholding and remitting the refundable tax**

### **Withholding the refundable tax**

When an employer makes a contribution to a custodian for an RCA trust, the employer has to withhold tax equal to 50% of the amount of the contribution and remit the tax to us. For more information about remitting the refundable tax, see "Remitting the refundable tax" on page 7.

If an employer does not withhold the 50% refundable tax on contributions made to a custodian, the employer has to remit to us an amount equal to the amount of the

contribution made to the custodian. Failure to withhold tax may result in an excessive contribution.

For example, on a \$5,000 contribution to an RCA, \$2,500 has to be withheld and remitted to us and \$2,500 goes to the custodian. If the employer fails to withhold tax and contributes \$5,000 directly to the RCA custodian, the law requires the employer to remit \$5,000 to us. In this case, the gross RCA contribution would be considered as \$10,000, which may be in excess of the RCA's terms and provisions. For more information, see "Refundable tax on contributions" on page 20.

We will also apply a **penalty** if the employer fails to comply with withholding requirements. For more information, see "Consequences for failing to comply with withholding, remitting, or filing requirements ▲" on page 20.

If an employer made payments to acquire an interest in a life insurance policy that we consider to be an RCA, the employer has to remit to us an amount of refundable tax equal to those payments.

### **Withholding refundable tax on transfers between RCA trusts**

Subsection 207.6(7) provides special rules that govern the transfer of amounts between RCA trusts when **all** of the following conditions are met:

- a lump-sum amount is transferred **directly** from one RCA trust (the **transferring plan**) to another RCA trust (the **receiving plan**);
- the receiving plan **does not** have a non-resident custodian; and
- the receiving plan is **not** a foreign plan that is considered by subsection 207.6(5) to be an RCA for Canadian residents participating in the plan.

To make sure the refundable tax is transferred from the transferring plan's account to the receiving plan's account, representatives from both plans should have signed a letter of agreement. When you send this letter to us, we will be able to transfer the refundable tax from the transferring plan's account to the receiving plan's account. For more information, see "Transferring amounts between RCA trusts" on page 20.

You may receive funds from an RCA trust that you want to transfer to another RCA trust. If the transfer **does not** meet the conditions described above, you should receive a T4A-RCA slip, *Statement of Distributions from a Retirement Compensation Arrangement (RCA)*, from the RCA trust. You have to include in income the refund of employer contributions shown in box 12 of the T4A-RCA slip. When you contribute the funds to the custodian of another RCA trust, you have to withhold 50% refundable tax on the funds you contribute. You have to remit the 50% refundable tax to us and prepare a T737-RCA information return to report the amounts you contribute to the other RCA trust.

### **Remitting the refundable tax**

We have to receive the refundable tax on or before the 15th day of the month after the month in which it was

withheld. If you remit this tax late, you will be subject to a penalty. For more information, see "Refundable tax on contributions" on page 20 and "Penalties and interest for remitting late or failing to remit the refundable tax ▲" on page 21.

Send your first payment of refundable tax to the RCA Unit at the Winnipeg Tax Centre by cheque or money order made out to the receiver general for Canada.

If you are required to remit this tax but have not received an **RC** employer account number, complete Form T733 and send it with your payment directly to the Winnipeg Tax Centre.

You can print or download Form T733 from our webpage at [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms). It may also be requested by calling 1-800-959-5525.

After we receive this information, we will send you confirmation of your **RC** employer account number. After we process the payment, we will also acknowledge receipt and issue Form T901B, *Statement of Account*, which includes a blank remittance voucher.

### **Filing a T737-RCA information return to report contributions you made to the custodian of an RCA trust**

To report the amount of contributions you made to the custodian, you have to submit a completed T737-RCA information return, which includes a T737-RCA Summary, *Information Return of Contributions Paid to a Custodian of a Retirement Compensation Arrangement (RCA)*, and the related T737-RCA slips, *Statement of Contributions Paid to a Custodian of a Retirement Compensation Arrangement (RCA)*. If there has been a change to the business name or to the authorized contact, attach the documentation outlining the change to the T737-RCA Summary. You have to file the information return no later than the last day of February following the calendar year in which you made contributions to the custodian. We will apply a penalty if you file this return late. For more information, see "Chapter 4 – Penalties and interest" on page 20. If you **did not** make any contributions during the year, you do not have to file this information return.

### **Completing the T737-RCA slip, *Statement of Contributions Paid to a Custodian of a Retirement Compensation Arrangement (RCA)***

The T737-RCA slip is available as a single page form for laser and ink jet printers and as a PDF fillable version. To get these forms, go to [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms).

Enter the following information on the T737-RCA slip:

#### **Year**

Enter the four-digit calendar year for which you are preparing the T737-RCA slip.

**Box 18 – Gross contributions by employer under an RCA**  
Enter the amount of gross contributions under the RCA. This is the total of the net contributions you made to the custodian **plus** the amount of refundable tax you deducted from the contributions during the year and remitted to us.

**Note**

**Do not** include on the T737-RCA information return contributions an **employee** made directly to the RCA trust. The custodian will issue a letter to the employee for these contributions.

The amount of contributions you made to the custodian may also include one or more of the following:

- amounts considered to be contributions to an RCA trust under subsection 207.6(4);
- amounts withheld from income for the employee;
- transfers of funds to another RCA trust if the receiving plan has a non-resident custodian when the transfer is made;
- transfers of funds to another RCA trust if, when the transfer is made, the receiving plan is a foreign plan considered under subsection 207.6(5) to be an RCA for Canadian residents participating in the plan;
- if the contributor is a corporation, contributions made by a predecessor corporation or subsidiary corporation (if wound up into the parent corporation); or
- if the contributor acquired an interest in a life insurance policy (including an annuity) to meet an employer's obligation to provide benefits under an RCA, twice the amount of any premium paid for the interest or any repayment of a policy loan.

As an employer, you may be able to deduct the amount of contributions in box 18 when you calculate income from a business or property.

**Notes**

We may deny the deduction if the amounts are paid as a series of contributions and refunds of contributions under the RCA.

For example, if the employer makes a contribution to the RCA trust at year end and the custodian refunds that amount to the employer in the next year, we may deny the deduction if we determine that the amount was contributed to obtain a deduction rather than to provide for retirement distributions.

**Box 20 – Net contributions made to the custodian**

Enter the amount of net contributions you made to the custodian, or the amount you paid to buy an interest in a life insurance policy that we consider to be an RCA. This amount will equal half of the amount entered in box 18.

**Box 22 – Refundable tax deducted**

Enter the amount of refundable tax you deducted during the year and remitted, or will remit, to us. This amount will equal the amount entered in box 20.

**Custodian's name and address**

Enter the custodian's full name and complete address.

**Employer's name**

Enter the employer's full name.

**Box 26 – Employer account number**

Enter the **RC** employer account number we assigned to the employer. Your account number should not appear on the two copies of the T737-RCA slip that you give to the custodian.

**Completing the T737-RCA Summary, Information Return of Contributions Paid to a Custodian of a Retirement Compensation Arrangement (RCA)**

Enter the following information on the T737-RCA Summary:

**Language of correspondence**

Tick (✓) the appropriate box.

**Year**

Enter the four digit calendar year for which you are preparing the T737-RCA information return.

**Employer account number**

Enter the **RC** employer account number we assigned to the employer. You can find this number on Form T901B, *Statement of Account*.

**Employer's name and address**

Enter the employer's full name and complete address. This name has to be the same as the employer's name on Form T901B.

**Has the address changed since the last T737-RCA information return?**

Tick (✓) the appropriate box.

**Line 88 – Total number of T737-RCA slips filed**

Enter the total number of T737-RCA slips filed with this T737-RCA information return. In most cases, there will only be one slip.

**Line 18 – Gross contributions by employer under an RCA**

Enter the amount of gross contributions you made to the custodian.

This is the contribution amount **before** tax deductions and equals the total of the amounts in box 18 of all T737-RCA slips filed with this T737-RCA information return.

**Line 20 – Net contributions made to the custodian**

Enter the amount of net contributions you made to the custodian. This is the contribution amount **after** tax deductions and equals the total of the amounts in box 20 of all T737-RCA slips filed with this T737-RCA information return.

**Line 22 – Refundable tax deducted**

Enter the amount of refundable tax deducted. This equals the total of the amounts in box 22 of all T737-RCA slips filed with this T737-RCA information return.



### Line 82 – Remittances

Enter the amount of refundable tax you remitted to us for the year. You can get this amount from your most recent Form T901B, *Statement of Account*.

### Difference

**Subtract** line 82 from line 22. This is the amount of refundable tax owing or, if the result is negative, it is the amount overpaid.

### Line 84 – Overpayment

Enter the amount of refundable tax overpaid, if applicable. Generally, if the difference is \$2 or less, you will not receive a refund.

### Line 86 – Balance owing

Enter the amount of refundable tax owing, if applicable. Generally, if the difference is \$2 or less, you do not have to make a payment.

You will be subject to a penalty for late payment if you have a balance owing. For more information, see “Chapter 4 – Penalties and interest” on page 20.

### Line 76 – Contact person

Enter the name of the person we can contact about this information return.

### Line 78 – Telephone number

Enter the area code and telephone number of the person we can contact about this information return.

### Certification

An authorized officer of the employer has to complete and sign this area.

### Distributing the slips and summary

Attach one copy of every T737-RCA slip to the completed original of the T737-RCA Summary, and send them with your payment for any balance owing to:

RCA Unit  
Winnipeg Tax Centre  
66 Stapon Road  
Winnipeg MB R3C 3M2

Send the slips and summary no later than the last day of February following the year to which the T737-RCA information return relates.

Send two copies of every T737-RCA slip to the custodian for this RCA no later than the last day of February of the year after the year to which the information return relates.

Keep a photocopy of the completed T737-RCA Summary and one copy of every T737-RCA slip for your records.

### Electronic fillable slips

If you use the PDF fillable T737-RCA slip for ink-jet and laser printers, you can print them on plain white paper. You can also make photocopies to distribute to the recipients. We now accept copies of our forms, not only the original forms that are pre-printed.

### Note

You can send the recipient(s) an electronic copy of the T737-RCA slip(s). However, the recipient(s) has to consent in writing (in a letter or by email) to receive the slip(s) electronically.

If you file the T737-RCA information return late or distribute the information slips late, you will be subject to a late-filing penalty. For more information, see “Chapter 4 – Penalties and interest” on page 20.

### Reporting deductible RCA contributions to the employee

Include in box 20 of the T4 slip, *Statement of Remuneration Paid*, which you issue to the employee any deductible RCA contributions you withheld from income for that employee. Do not include amounts that are not deductible. If the amount in box 20 of the T4 slip includes both registered pension plan contributions and deductible RCA contributions, attach a letter to the employee’s copy of the T4 slip showing each amount separately.

See Appendix 2, on page 24, for more information on the deductibility of RCA contributions.

### Change to the employer’s legal name

If the employer’s legal name has changed, the employer has to send a notification letter to:

RCA Unit  
Winnipeg Tax Centre  
66 Stapon Road  
Winnipeg MB R3C 3M2

The letter has to include the employer’s payroll account number and supporting documents.

For example, in the case of a corporation, we require a copy of the “certificate of amendment” or “articles of amendment” issued by the provincial, territorial or federal incorporating authority or registrar of corporations that approved the new name. For an unincorporated entity (such as an entity established by a constitution or trust deed), we require a copy of a resolution or written agreement signed by the directors or trustees of the entity indicating the new name and showing the effective date of the change of name.

## Chapter 3 – Custodian responsibilities

This chapter discusses the following custodian responsibilities:

- receiving employee contributions;
- remitting refundable tax to us on amounts received directly from an RCA member (employee), using the remittance voucher on Form T901B, *Statement of Account*;
- filing a T3-RCA, *Retirement Compensation Arrangement (RCA) Part X1.3 Tax Return* and remitting the refundable tax owing;

- providing us with address change information (information to be supplied by an authorized individual);
- providing us with any information on changes to the RCA's custodian. (We will need copies of the amended trust agreement signed by both the resigning and the new custodian of the RCA.);
- providing us with details of any funds transferred to or from another RCA trust;
- filing Form T735, *Application for a Remittance Number for Tax Withheld from a Retirement Compensation Arrangement (RCA)*, to apply for a remittance account number for income tax withheld on distributions;
- withholding income tax on distributions made out of the RCA trust;
- filing Form PD7A, *Remittance Form – Statement of Account for Current Source Deductions*, to remit income tax withheld on distributions;
- filing a T4A-RCA information return to report distributions made out of the RCA trust;
- filing Form NR76, *Non-resident Tax – Statement of Account*, to remit income tax withheld on distributions to non-residents; and
- filing an NR4 information return to report distributions to non-residents.

**Note**

A person who bought another person's interest in an RCA has to undertake many of the same responsibilities that a custodian does. Appendix 1 on page 23 addresses those responsibilities and directs the buyer to the applicable areas of this chapter.

## Receiving employee contributions

Under the terms of some employment agreements, an employee is required to contribute an amount to the RCA trust.

- Some agreements require the employer to withhold the amounts from the employee's income.
- Other agreements require the employee to make these contributions directly to the custodian.

To be deductible by the employee under paragraph 8(1)(m.2), the total amount contributed by the employee for the year **cannot be more** than the total amount contributed in the year by the employer for the employee. Refer to Appendix 2 on page 24 for other conditions that apply to deductions of employee contributions to RCAs.

## Amounts received that were withheld from income by the employer

If you receive a contribution for an employee that was withheld from income by the employer, you have to send a letter of acknowledgement to the employee. The letter must also tell the employee whether the amount is deductible and, if so, to deduct it on line 207 of his or her income tax and benefit return. The employee may need this letter to support the deduction on the return.

When an employer makes a contribution to a custodian for an RCA trust, the employer has to withhold tax equal to 50% of the amount of the contribution and remit the refundable tax to us. The employer will issue you a T737-RCA slip, *Statement of Contributions Paid to a Custodian of a Retirement Compensation Arrangement (RCA)*, to tell you the amount of tax withheld and remitted to us.

## Amounts received directly from an RCA member (employee)

If you receive a contribution **directly** from an employee, send a letter of acknowledgement to the employee. The letter must also tell the employee whether the amount is deductible and, if so, to deduct it on line 207 of his or her income tax and benefit return. The employee may need this letter to support the deduction on the return.

## Remitting the refundable tax on amounts received directly from an RCA member (employee)

Contributions made directly to the RCA trust by an employee will not have refundable tax withheld. However, the custodian of the RCA trust can remit the refundable tax based on all contributions made directly by the employee, using the remittance voucher on Form T901B, *Statement of Account*. The T901B is available only in **personalized, pre-printed** format and we will issue the T901B after we process your first payment. The refundable tax under Part XI.3 for employee contributions is then calculated on the annual T3-RCA return.

## Filing a T3-RCA, Retirement Compensation Arrangement (RCA) Part XI.3 Tax Return

As a custodian of an RCA trust, you have to file Form T3-RCA, *Retirement Compensation Arrangement (RCA) Part XI.3 Tax Return*, every year, no later than 90 days after the end of the RCA trust's tax year. An RCA trust is an inter vivos trust and, as such, its tax year is the calendar year. We will apply a penalty if you file this return late. For more information, see "Chapter 4 – Penalties and interest" on page 20.

**Note**

If the employer submitted the RCA for registration under the Act as a registered pension plan (RPP) and we refused to register the arrangement as an RPP, the T3-RCA tax return is due 90 days after the date of the final determination or 90 days after the trust's tax year, whichever is later. Submit a copy of the denial letter you received from the Registered Plans Directorate when you file the T3-RCA tax return. Doing so may help avoid a late-filing penalty.

## Tax on RCA advantages and prohibited investments

A custodian of an RCA is subject to tax under ITA 207.62 where an "advantage", as defined under 207.5(1), is obtained in relation to an RCA.

A custodian of an RCA is also subject to tax under 207.61 where an RCA has a "prohibited investment" as defined under 207.5(1).

Under 207.63, a “specified beneficiary” of an RCA as defined under 207.5(1), may also be liable for tax under 207.61 or 207.62.

## Waiver or cancellation of tax

The Minister has the power to waive or cancel the tax in respect of a prohibited investment or the tax in respect of an advantage where the Minister is satisfied that it is just and equitable to do so.

## Completing the T3-RCA tax return

Enter the following information when you complete the T3-RCA tax return:

### RCA trust’s tax year

Enter the four digits of the RCA trust’s tax year for which you are filing this tax return.

### Is this the first T3-RCA tax return filed?

Tick (✓) the **yes** or **no** box, whichever applies. If yes attach a copy of the trust agreement if it was not already submitted.

### Is this the final return of the RCA trust?

Tick (✓) the **yes** or **no** box, whichever applies. If the tax return is the final return for the RCA trust, attach an extra sheet to explain the reason for closure.

## Identification

### RCA trust’s name

Enter the full name of the RCA trust. Use the same name on all returns and correspondence for the trust. The name of the trust will be modified to meet our requirements if it is longer than 60 characters.

### Custodian trust account number

Enter the T custodian trust account number we assigned to the custodian.

### Custodian’s name

Enter the custodian’s full name.

### Language of correspondence

Tick (✓) the English or French box to indicate in which official language you want to receive correspondence.

### Contact person

Enter the name of the representative we can contact about this tax return.

### Area code and telephone number

Enter the area code and telephone number where we can contact the custodian’s representative about this tax return.

### Custodian’s address

Enter the custodian’s complete address.

### Mailing address (if different)

Enter the custodian’s mailing address if it is different than the custodian’s address.

### Has the address changed since the last T3-RCA tax return?

Tick (✓) the **yes** or **no** box, whichever applies.

### Has the custodian changed since the last T3-RCA tax return?

Tick (✓) the **yes** or **no** box, whichever applies. If the custodian changed, attach a copy of the amended trust agreement to the T3-RCA return.

### Step 1 – Supporting documentation

Tick (✓) the **yes** or **no** boxes, as they apply. If you answer **yes** to any of the questions in Step 1, enter the information requested or attach the applicable documents to the T3-RCA tax return, as indicated.

If you answered **yes** to question 8, attach a copy of the loan agreement.

If you answered **yes** to question 9, attach a copy of the letter of agreement between the two RCA trusts and provide the other RCA’s custodian trust account number. For more information about the information that you should include in the letter, see “Transferring amounts between RCA trusts” on page 20.

### Step 2 – Details of contributions received during the year

#### Note

If you do not complete Step 2, we cannot process your return.

#### Part 1 – Amounts received from employer

Give details for each contribution received from an employer during the year. If there is not enough space, attach a separate list. Attach copy 2 of the T737-RCA slips to support the amount on line 01.

If the custodian of this RCA trust is a non-resident or if this arrangement is a foreign plan considered under subsection 207.6(5) to be an RCA for Canadian residents participating in the plan, give details of any lump-sum amounts that have been transferred from another RCA trust to this RCA trust.

#### Part 2 – Amounts received directly from an RCA member

Give details of all amounts received directly from an RCA member. If there is not enough space, attach a separate list.

#### Part 3 – Amounts transferred directly from another RCA trust

If funds have been transferred **directly** from another RCA trust (the **transferring plan**) to this RCA trust (the **receiving plan**), and the receiving plan does **not** have a non-resident custodian and is **not** a foreign plan that is considered by subsection 207.6(5) to be an RCA for Canadian residents participating in the plan, include in Part 3 any lump-sum amounts transferred directly to the receiving plan. For more information, see “Transferring amounts between RCA trusts” on page 20.

#### Note

If the custodian of this RCA trust is a non-resident, or if this arrangement is a foreign plan that is considered by subsection 207.6(5) to be an RCA for Canadian residents participating in the plan, do not include the transfer in Part 3. Instead, enter this amount as an employer contribution in Part 1.

If there is not enough space to record all amounts transferred, attach a separate list. Attach a copy of the letter of agreement between the two RCA trusts to the T3-RCA tax return. This letter will authorize us to make the

transfer of the related refundable tax on hand to your RCA trust's account.

**Step 3 – Calculating the refundable tax on hand for the current year**

Step 3 is on page 3 of the 2014 T3-RCA tax return.

**Note**

The line numbers we refer to below can be found on the right-hand side of the fillable boxes.

**Part 1 – Refundable tax on hand before distributions or election**

Complete lines 01 to 17, as they apply.

**Line 01 – Refundable tax on total contributions at the beginning of the year.** You can get this amount from line 06 of Step 3, on page 3, of the prior year's tax return.

**Line 02 – Current year's employer contributions.** You can get this amount from line 01 of Step 2.

**Line 03 – Current year's member contributions.** You can get this amount from line 02 of Step 2.

**Line 04 – Current year's amount transferred from another RCA trust.** You can get this amount from line 03 of Step 2.

**Line 05 – Refundable tax on total contributions.** Add the amounts on lines 02 to 04, then multiply that total by 50% to determine the amount of refundable tax you have to enter on line 05.

**Line 06 – Refundable tax on total contributions at the end of the year.** Add the amounts on lines 01 and 05.

**Line 07 – Income and capital gains at the beginning of the year.** You can get this amount from line 10 of Step 3, on page 3 of the prior year's tax return.

**Line 08 – Current year's income from business and property.** Enter the RCA trust's income for the year from business and property. Do not include the dividend gross-up amount calculated under paragraph 82(1)(b). Attach financial statements for the business or property to page 3 of the T3-RCA tax return.

**Line 09 – Current year's capital gains.** Enter the RCA trust's capital gains for the year and attach financial statements for the capital gains to page 3 of the T3-RCA tax return.

**Line 10 – Total income and capital gains.** Add lines 07 to 09.

**Line 11 – Losses and capital losses at the beginning of the year.** You can get this amount from line 14 of Step 3, page 3, of the prior year's tax return.

**Line 12 – Current year's losses from business and property.** Enter the RCA trust's losses for the year from business and property. Attach financial statements for the business and property to page 3 of the T3-RCA tax return.

**Line 13 – Current year's capital losses.** Enter the RCA trust's capital losses for the year. Attach financial statements supporting the capital loss to page 3 of the T3-RCA tax return.

**Line 14 – Total losses and capital losses.** Add lines 11 to 13.

**Line 15 – Excess of income and capital gains over losses and capital losses.** Subtract the amount on line 14 from the amount on line 10. If this amount is negative, enter "0".

**Line 16 – Refundable tax on excess of income and capital gains over losses and capital losses.** Multiply the amount on line 15 by 50% to determine the amount of refundable tax you have to enter on line 16.

**Line 17 – Refundable tax on hand before distributions or election.** Add the amounts on lines 06 and 16. Transfer this amount to line 17 in Part 3.

**Part 2 – Distributions**

You need to complete Part 2 if, while the arrangement was an RCA, you made distributions, returned amounts to the employer, or transferred amounts to another RCA.

Section 207.65 provides a rule for the calculation of "refundable tax" of an RCA in circumstances where the custodian of an RCA has a liability to pay a tax on prohibited investments under section 207.61 or tax on advantages under section 207.62. The payment of these taxes out of property of the RCA is deemed to be a distribution from the RCA.

**Line 18 – Distributions at the beginning of the year.** You can get this amount from line 22 of Step 3, page 3 of the prior year's tax return.

**Line 19 – Current year's distributions out of the RCA trust.** Include on line 19 any funds you distributed out of the RCA trust to a beneficiary throughout the year. Do not include on line 19 amounts transferred to another RCA or amounts returned to the employer. Attach a copy of the T4A-RCA or NR4 Summary.

**Line 20 – Current year's amounts returned to employer or employee to be included in employer's or employee's income.** Include on line 20 any amounts you returned to the employer or employee. Attach a copy of the T4A-RCA or NR4 Summary.

If you transferred funds to another RCA trust and the custodian of the other RCA trust is a non-resident, or if the other arrangement is a foreign plan considered under subsection 207.6(5) to be an RCA for Canadian residents participating in the plan, include the transfers on line 20 as amounts returned to the employer.

**Line 21 – Current year's amounts transferred directly to another RCA trust.** If you transferred funds directly from this RCA trust (the **transferring plan**) to another RCA trust (the **receiving plan**) and the receiving plan does not have a non-resident custodian and is not a foreign plan that is considered by subsection 207.6(5) to be an RCA for Canadian residents participating in the plan, include on line 21 any lump-sum amounts transferred directly to the receiving plan. You have to multiply this amount by 2 because, under the letter of agreement, we will transfer the same amount of refundable tax from the transferring plan to the receiving plan. For more information, see "Transferring amounts between RCA trusts" on page 20.

**Line 21a – Taxes on prohibited investments and advantages paid in the current year, to the extent that these taxes have not been waived, refunded or cancelled (distribution under section 207.65).** Enter the current year's taxes on a prohibited investment or an advantage paid in

the current year and distributed under section 207.65. To the extent that these taxes have been waived, refunded, or cancelled, they are **not** included at line 21a.

**Note**

If the tax on a prohibited investment reported in a year is refunded (or waived) in a subsequent tax year, it will be necessary for the custodian to make an adjustment to the prior year's return amending taxes and distributions as required.

**Line 22 – Total distributions.** Add lines 18 to 21a. Transfer this amount to line 22 in Part 3.

**Part 3 – Refundable tax on hand (after distributions) at the end of the tax year**

**Option A – Election under subsection 207.5(2):**

If you are electing under subsection 207.5(2), you may not have to complete Part 3. See “**Step 4 – Election under subsection 207.5(2) to recover refundable tax on hand**” on this page for information on when you may make this election.

If you are closing the RCA and have distributed all of the property held by the RCA such that no property remains in the RCA at the end of the year (other than the right to receive a refund of the refundable tax), you should complete Option B to recover all the refundable tax on hand.

**Option B – Complete this option if, during the tax year, all of the following apply:**

- you distributed **all** the funds out of the RCA trust;
- **no property** remains in the RCA trust at the end of the tax year; and
- you are entitled to recover a refund of all the refundable tax on hand held for this RCA trust.

In this case, enter the amount from line 24 on line 26 and enter on line 27 the amount that you will distribute when you receive the current-year refund. To support the amount on line 27, attach a copy of the T4A-RCA Summary and/or the NR4 Summary for the next tax year to the T3-RCA tax return.

Complete the calculations on lines 28 to 29.

If the amount on line 29 is a positive amount, you must either use Option A if available (complete and sign the election in Step 4) **or** follow Option C to recover a refund of all the refundable tax on hand held for this RCA.

If the amount on line 29 is “0,” transfer “0” to line 41 of Step 5 of the tax return. You do not have to complete the election in Step 4.

**Option C – If you are not following Option A to elect under subsection 207.5(2), and Option B does not apply (or the amount on line 29 is positive and you are not electing under option A), follow Option C. Complete the calculation on lines 17 and 22 to 24 to determine the amount of refundable tax on hand (after distributions) at the end of the tax year, and transfer the amount on line 24 to line 41 of Step 5.**

**Step 4 – Election under subsection 207.5(2) to recover refundable tax on hand**

In some cases, you may benefit from making an election so that the refundable tax on hand at the end of the tax year equals the adjusted amount of the fair market value of all the property held in the RCA trust at the end of the tax year.

To make this election, you have to complete and sign Step 4 of the T3-RCA tax return. You can make this election for one or more tax years. If the custodian does not sign the election, we will **not** refund any amount. The custodian's signature must be an original signature for us to process the tax return.

If there are not enough spaces for all the debt obligations on lines 32 and 33, attach a separate list. If you enter amounts for debt obligations or shares listed on a designated stock exchange (on line 35), attach details of the amounts to the T3-RCA tax return.

**Note**

You can make this election **only** if all of the property in the RCA trust at the end of the tax year (other than a right to claim a refund under subsections 164(1) or 207.7(2)) consists of cash, debt obligations, shares listed on a designated stock exchange, or any combination of these. Note that units in a mutual fund trust or shares in a mutual fund corporation that are not listed on a designated stock exchange **do not** qualify for the purposes of the election under subsection 207.5(2). The election is generally not available if any part of the decline in value of the property is attributable to a prohibited investment or advantage.

**Property of the RCA trust (at the end of the tax year):**

**Line 31 – Cash.** Enter the amount of cash of the RCA trust at the end of the tax year.

**Line 32 – Debt obligations: Principal amounts.** Enter the principal amount of debt obligations outstanding at the end of the tax year.

**Line 33 – Debt obligations: Fair market values (FMV).** Enter the FMV of debt obligations outstanding at the end of the tax year.

**Line 34 – Enter line 32 or 33, whichever is more.** Enter at line 34 either the principal amount of debt obligations entered at line 32 or the FMV entered at line 33, whichever is the greater amount.

**Line 35 – Fair market value of shares listed on a designated stock exchange.** Enter the FMV of shares of the RCA at the end of the tax year.

**Line 36 – Total property of the RCA trust at the end of the tax year.** Add lines 31, 34 and 35. The result is the amount of the total property of the RCA trust at the end of the tax year. This amount is used to calculate Part XI.3 tax payable or refundable. Transfer this amount to line 41.

**Step 5 – Part XI.3 tax payable or refundable**  
Complete Step 5 to determine the amount of refundable tax payable or refundable.

**Line 41 – Refundable tax on hand at the end of the tax year (line 24 or 29, or line 36, whichever one applies).** The

amount at line 41 is the refundable tax on hand at the end of the tax year.

**Line 42 – Refundable tax on hand at the beginning of the year.** Enter the amount of refundable tax on hand at the beginning of the tax year. This amount can be found at line 41, Step 5 of the 2013 tax return.

**Line 43 – Refundable tax on hand transferred during the year to another RCA.** Enter the amount of refundable tax on hand transferred during the year to another RCA.

**Line 44 – Refundable tax on hand transferred during the year from another RCA.** Enter the amount of refundable tax on hand transferred during the year from another RCA.

**Line 45 –** Enter the amount of line 42 **minus** line 43 **plus** line 44.

**Line 46 – Subtotal: Total Part XI.3 tax payable or refundable in the year.** Enter the amount of line 41 **minus** line 45. This subtotal is the amount of Part XI.3 tax payable or refundable in the year. If the amount is negative, enclose it in brackets.

#### **Step 6 – Tax on advantages and prohibited investments**

You need to complete Step 6 if the RCA owes tax on prohibited investments under section 207.61 or advantages under section 207.62.

**Line 50 – Tax under section 207.61 on prohibited investments.** Enter the amount of tax on prohibited investments. The amount of tax payable for property described in subsection 207.61(1) is 50% of the fair market value (FVM) of the property.

**Line 51 – Tax under section 207.62 on advantages.** Enter the amount of tax on advantages. The amount of tax payable for an advantage described in 207.62(1) is the FMV of a benefit, the amount of a loan or indebtedness, and in the case of an RCA strip, the amount of the RCA strip.

**Line 52 – Minus refund of the tax on prohibited investments.** Subtract the refund of the tax on prohibited investments that have not been waived or cancelled.

In order to claim a refund, you must attach the following supporting documents to the T3-RCA return:

- a letter explaining why you are requesting a refund; and
- the appropriate documents detailing the information relating to the acquisition and disposition of the prohibited investment.

The documents must contain:

- the name and description of the investment;
- the number of shares or units;
- the date the investment was acquired or became a prohibited investment; and
- the date of the disposition or the date the investment ceased to be prohibited.

If you disposed of a prohibited investment reported at line 50 of Step 6, you may be entitled to a refund of taxes paid if:

- the RCA trust disposes of the property in question before the end of the calendar year following the calendar year in which the tax arose; or
- the property ceases to be a prohibited investment before the end of the calendar year following the calendar year in which the tax arose.

However, no refund will be issued if it is reasonable to expect that the custodian, or a specified beneficiary of the arrangement, knew, or should have known, at the time the property was acquired by the RCA trust, that the property was, or would become a prohibited investment.

If you disposed of a prohibited investment reported at line 50 of Step 6 in the same calendar (taxation) year that prohibited investment was acquired then remittance of the tax is not required. However, remittance of the tax is required if it is reasonable to expect that the custodian or specified beneficiary of the arrangement knew, or should have known, at the time the property was acquired by the RCA trust, that the property was, or would become a prohibited investment.

**Line 53 – Subtotal: Refund or balance owing.** Enter the amount of line 50 **plus** line 51 **minus** line 52.

#### **Step 7 – Refundable tax remitted**

Complete Step 7 to calculate the amount of refundable tax remitted during the tax year.

**Line 60 – Refundable tax deducted and remitted by employer or contributor during the year.** Enter the amount of refundable tax deducted and remitted by the employer or contributor during the tax year.

**Line 61 – Payments on account remitted by custodian during the year.** Enter the amount of payments on account remitted by the RCA custodian during the tax year.

**Line 62 – Subtotal.** Enter the amount of line 60 **plus** line 61.

#### **Step 8 – Refund or balance owing**

Complete Step 8 to determine your refund or balance owing.

**Line 63 –** Enter the amount of line 46 **plus** line 53 **minus** line 62.

**Line 64 –** If the amount on line 63 is **negative**, you are entitled to a refund. Enter that amount on line 64.

**Line 65 –** If the amount on line 63 is **positive**, you have a balance payable. Enter that amount on line 65. You have to send your payment for any tax owing along with the completed T3-RCA tax return. The amount shown on line 65 is due no later than 90 days after the end of the RCA trust's tax year for which you are filing the tax return. You will have to pay a penalty for late payment if you have a balance owing. For more information, see "Penalty for filing a return late ▲" on page 21.

**Make your cheque payable to the receiver general for Canada and write your name, the T custodian trust**

account number, and “Form T3-RCA” on the back of your payment.

### Step 9 – Certification

The custodian’s authorized representative has to complete and sign this area.

### Direct Deposit - Start or Change

To start direct deposit for the trust, or to change the trust’s direct deposit information, fill out this area with the trust’s banking information. Tick (✓) the **yes** or **no** box, whichever applies; if **yes**, attach a **void** cheque to the T3-RCA return. Enter the trust’s bank branch number at line 350, the trust’s bank institution number at line 351, and the trust’s bank account number at line 352.

### Filing the T3-RCA tax return

Send the completed return no later than 90 days after the end of the RCA’s tax year, together with all required attachments and payment for any balance owing, to:

RCA Unit  
Winnipeg Tax Centre  
66 Stapon Road  
Winnipeg MB R3C 3M2

Send this tax return separately from any other return.

If you need to change a return after you send it to us, **do not** file another return for that tax year. Send us a completed Form T3-ADJ, *T3 Adjustment Request*, or a letter providing the details of the change.

Keep a photocopy for your records.

### Applying for a remittance account number for income tax withheld on distributions ▲

When you are ready to make the first distribution out of the RCA trust to a beneficiary, you should apply for a remittance account number by completing Form T735, *Application for a Remittance Number for Tax Withheld from a Retirement Compensation Arrangement (RCA)*. When we receive this form, we will issue you a remittance account number. This will be a payroll account number that will apply only to this RCA trust.

#### Note

If you indicate on Form T735 that you will make payments out of the RCA trust to a non-resident, we will issue a non-resident tax deduction remittance account number beginning with the letters **NRQ**. Use this number as an identifier for reporting payments you make to non-residents and for the income tax you withhold from these payments. For more information about the reporting requirements, see “Reporting distributions made to non-residents of Canada ▲” on page 19.

### Completing Form T735, *Application for a Remittance Number for Tax Withheld from a Retirement Compensation Arrangement (RCA)* ▲

The custodian should complete sections A and B and the certification area of Form T735.

#### Note ▲

A person who bought an interest in an RCA should complete sections A and C and the certification area of Form T735.

#### Section A ▲

##### If you are a custodian, to whom will you make distributions out of the RCA trust?

Tick (✓) the appropriate box.

##### If you bought an interest in an RCA, from whom did you buy the interest? ▲

Tick (✓) the appropriate box.

If you are a custodian, you have to complete section B.

#### Section B – Custodian

##### Line 1 – RCA trust’s name

Enter the full name of the RCA trust.

##### Custodian trust account number

Enter the T custodian trust account number we assigned to the custodian.

##### Line 2 – Custodian’s name

Enter the custodian’s full name.

##### Line 3 – Custodian’s address

Enter the custodian’s complete address.

##### Line 4 – Name and telephone number of custodian’s representative

Enter the name of the person we can contact about this application and that person’s area code and telephone number.

##### Line 5 – Address where books and records are kept

Tick (✓) the box if the address is the same as the address on line 3, or enter the address where the books and records of the RCA trust are kept.

##### Line 6 – If you have made distributions out of the RCA trust

Give the details of distributions as requested in this area. If there is not enough space, attach a separate detailed list.

##### Line 7 – If you have not made any distributions out of the RCA trust

Give the date when you expect to make distributions.

##### Language of correspondence

Tick (✓) the appropriate box.

If you bought an interest in an RCA, you have to complete Section C. ▲

#### Section C – Person who bought an interest in an RCA ▲

##### Line 1 – RCA trust’s name

Enter the full name of the RCA trust.

**Line 2** – Name and telephone number of person who bought an interest in the RCA

Enter the full name of the person who bought an interest in the RCA and the area code and telephone number where we can contact that person about this application.

**Line 3** – Address of the person who bought an interest in the RCA

Enter the complete address of the person who bought an interest in the RCA.

**Line 4** – Address where books and records are kept

Tick (✓) the box if the address is the same as the address on line 3 or enter the address where the books and records of the RCA trust are kept.

**Line 5** – When did you buy the interest in the RCA?

Enter the date you bought the interest in the RCA.

**What was the purchase price for the interest in the RCA?**

Enter the amount you paid for the interest in the RCA.

**Language of correspondence**

Tick (✓) the appropriate box.

### **Certification**

The custodian's authorized representative or the person who bought an interest in the RCA, has to complete and sign this area.

### **Filing Form T735**

Send the completed original of Form T735 to:

RCA Unit  
Winnipeg Tax Centre  
66 Stapon Road  
Winnipeg MB R3C 3M2

Keep a photocopy for your records.

#### **Note**

When you file Form T735, we will send you a PD7A, *Remittance Form Voucher – Statement of Account for Current Source Deductions*. Following the first PD7A, a new statement will be issued to you every time a payment is made. If no payment is received, a PD7A will not be sent unless requested by you – see the next three subheadings for more information.

## **Withholding and remitting income tax on distributions**

### **Withholding income tax on distributions**

As a custodian, you have to withhold income tax on any distributions you make out of the RCA trust to beneficiaries. This applies to periodic payments and lump-sum payments. You usually have to remit this tax no later than the 15th day following the month in which you withheld it.

To calculate the amount of income tax you have to deduct and to determine when you have to remit the income tax, see Guide T4001, *Employers' Guide – Payroll Deductions and Remittances*, and publication T4032, *Payroll Deductions Tables*.

If you do not deduct the required tax from such payments (including payments made to non-residents), you will be subject to a penalty. For more information, see "Income tax on distributions ▲" on page 20.

If you buy an annuity contract for the beneficiary, we consider that the amount paid to buy the contract is a taxable distribution to the beneficiary out of the RCA trust. The full amount is taxable in the year you buy the contract and you have to withhold income tax from this amount.

If you distributed an amount out of the RCA trust to a non-resident, see "Distributions to non-residents of Canada ▲" on page 19.

#### **Notes**

**If you bought an interest in an RCA from a resident of Canada**, you have to withhold tax at a rate of 50% of the purchase price.

**If you bought an interest from a non-resident**, see "Withholding income tax on distributions made to non-residents of Canada ▲" on page 19.

You have to file a completed Form T735 to apply for a remittance account number when you are ready to make the first distribution out of the RCA trust to a beneficiary. For more information, see "Applying for a remittance account number for income tax withheld on distributions" on page 15.

### **Remitting income tax withheld on distributions made out of the RCA trust using Form PD7A, Remittance Form Voucher – Statement of Account for Current Source Deductions**

The PD7A is available only in **personalized, pre-printed** format. Our agents will personalize and mail them to you. To replace lost remittance vouchers or to get a limited number of personalized forms, call **1-800-959-5525**.

Your remitter type will determine the frequency and the due dates to remit income tax withheld on distributions. For more information, refer to chapter 9 in Guide T4001, *Employers' Guide – Payroll Deductions and Remittances*.

### **Remitting income tax withheld on distributions before you receive an account number**

If you have withheld income tax as required but have not received a remittance account number or a non-resident tax deduction remittance account number, or if you have filed Form T735 but **have not** received Form PD7A in time for your next payment, do not delay making the payment. Send it to:

RCA Unit  
Winnipeg Tax Centre  
66 Stapon Road  
Winnipeg MB R3C 3M2



Send your payment with a note stating that you did not receive Form PD7A. In your note, you should also give the following information:

- your name and address;
- the full name of the RCA trust;
- if you are the custodian, the T custodian trust account number; and
- the month during which the tax was withheld.

When we receive this information, we will send you Form T735 with an assigned remittance account number. When you get this form, complete it and send it to the RCA Unit at the Winnipeg Tax Centre. Once we process the payment, we will send you a receipt and a blank Form PD7A.

## Filing a T4A-RCA information return to report distributions made out of an RCA trust ▲

A custodian who makes a distribution out of an RCA trust has to file a T4A-RCA information return. This return consists of a T4A-RCA Summary, *Information Return of Distributions from a Retirement Compensation Arrangement (RCA)*, and the related T4A-RCA slips, *Statement of Distributions from a Retirement Compensation Arrangement (RCA)*.

### Note ▲

If you bought an interest in an RCA, you have to file a T4A-RCA information return to report the purchase.

You have to file the T4A-RCA information return no later than the last day of February following the year you made the distributions or bought the interest, as the case may be.

## Completing the T4A-RCA slip, *Statement of Distributions from a Retirement Compensation Arrangement (RCA)* ▲

The T4A-RCA slip is available as a single-page form for laser and ink jet printers and as a PDF fillable version. You can get these forms from our website.

You have to complete a T4A-RCA slip for each beneficiary who received a payment or for each person who sold an interest in an RCA, as the case may be. In some cases, you have to prepare a T4A-RCA slip for amounts the RCA trust refunded to the employer or the employee.

You have to enter the following information on the T4A-RCA slips:

### Year ▲

Enter the four-digit calendar year for which you are preparing the T4A-RCA slip.

### Box 12 – Refund of employer contributions

Enter the amount, if any, that the RCA trust refunded to the employer. Include a transfer of funds from this RCA trust (the **transferring plan**) to another RCA trust (the **receiving plan**) if the custodian of the receiving plan is a non-resident, or if the receiving plan is a foreign plan that is

considered by subsection 207.6(5) to be an RCA for Canadian residents participating in the plan.

### Notes

**Do not** include in box 12 any transfer of funds made **directly** from a transferring plan to a receiving plan if the custodian of the receiving plan is **not** a non-resident **and** the receiving plan is **not** a foreign plan that is considered by subsection 207.6(5) to be an RCA for Canadian residents participating in the plan.

For more information about transfers between RCA trusts, see “Transferring amounts between RCA trusts” on page 20.

### Box 14 – Refund of employee contributions

Enter the amount, if any, that the RCA trust refunded to the employee, including voluntary employee contributions made to the RCA.

### Box 16 – Distributions

Enter the amount you paid to the beneficiary as benefits from the RCA trust. Do not include a refund of employee contributions or amounts paid to purchase an interest in the RCA.

### Box 17 – Distributions eligible for pension income splitting

Enter the amount included in box 16 consisting of payments made in the year to the individual out of or under an RCA that:

- are in respect of a life annuity that is attributable to periods of employment for which benefits are also provided to the individual under a RPP, and
- provide benefits that supplement the benefits provided under a registered pension plan (other than an individual pension plan for the purposes of Part LXXXIII of the *Income Tax Regulations*).

You include this amount in the calculation of the maximum split pension amount on Form T1032, *Joint Election to Split Pension Income*, if you are age 65 or more at the end of the calendar year and are electing to split your eligible pension income with your spouse or common-law partner.

### Box 18 – Selling price of an interest in the RCA ▲

If you bought an interest in the RCA, enter the amount you paid to the recipient for the interest in the RCA (the purchase price before you withheld 50% tax).

### Box 20 – Other amounts ▲

Complete box 20 if the RCA trust:

- disposed of property for consideration less than the fair market value (FMV) of the property;
- acquired property for consideration greater than the FMV of the property;
- permitted the RCA trust’s property to be used for consideration less than the FMV of such use.

Under subsection 56(11), the amount to include in box 20 is the difference between the consideration and the FMV.

**Box 22 – Income tax deducted** ▲  
Enter the amount of income tax deducted from distributions or from the purchase price of the interest, as the case may be.

**Box 24 – Social insurance number** ▲  
Enter the recipient's social insurance number.

**Recipient's name and address** ▲  
Enter the last name in capital letters, followed by the first name and initial, and the complete address of either the individual who received an amount from the RCA or of the person who sold an interest in an RCA to another person, as the case may be.

**Name of custodian, or person who bought an interest in the RCA** ▲  
Enter the full name of the custodian or the full name of the person who bought an interest in the RCA, as the case may be.

**Box 61 – Payroll account number** ▲  
Enter the custodian's payroll account number or the payroll account number of the person who bought an interest in the RCA, as the case may be. The custodian's payroll account number has to be the same as it is on your Form PD7A receipt. The custodian's payroll account number should not appear on the two copies of the T4A-RCA slip that you give to the recipient.

**Completing the T4A-RCA Summary, Information Return of Distributions from a Retirement Compensation Arrangement (RCA)** ▲

You have to enter the following information on the T4A-RCA Summary:

**Year** ▲  
Enter the four-digit calendar year for which you are preparing the T4A-RCA information return.

**Payroll account number** ▲  
Enter the custodian's payroll account number or the payroll account number of the person who bought an interest in the RCA, as the case may be.

**Corresponding custodian trust account number**  
Enter the corresponding custodian trust account number. This is a nine character account number beginning with the letter T followed by eight numbers.

**Name and address of custodian, or person who bought an interest in the RCA** ▲  
Enter the full name and complete address of the custodian or the person who bought an interest in the RCA, as the case may be.

**Note**  
The custodian's name and payroll account number have to be the same as on your Form PD7A receipt.

**Name of the RCA trust** ▲  
Enter the full name of the RCA trust.

**Line 88 – Total number of T4A-RCA slips filed** ▲  
Enter the number of T4A-RCA slips filed with this T4A-RCA Summary.

**Line 12 – Refund of employer contributions**  
Enter the total of all amounts shown in box 12 of all T4A-RCA slips filed with this summary.

**Line 14 – Refund of employee contributions**  
Enter the total of all amounts shown in box 14 of all T4A-RCA slips filed with this summary.

**Line 16 – Distributions**  
Enter the total of all amounts shown in box 16 of all T4A-RCA slips filed with this summary.

**Line 17 – Distributions eligible for pension income splitting**  
Enter the total of all amounts shown in box 17 of all T4A-RCA slips filed with this summary.

**Line 18 – Selling price of an interest in the RCA** ▲  
Enter the total of all amounts shown in box 18 of all T4A-RCA slips filed with this summary.

**Line 20 – Other amounts** ▲  
Enter the total of all amounts shown in box 20 of all T4A-RCA slips filed with this summary.

**Line 22 – Income tax deducted** ▲  
Enter the total of all amounts shown in box 22 of all T4A-RCA slips filed with this summary.

**Line 82 – Remittances** ▲  
Enter the total amount of tax you remitted to us. You can get this amount from your most recent Form PD7A receipt.

**Difference** ▲  
Subtract line 82 from line 22.  
  
If this amount is positive, there is a balance owing. Enter the result on line 86.  
  
If the amount is negative, there is an overpayment. Enter the result on line 84.

**Line 84 – Overpayment** ▲  
Enter the amount of tax overpaid. Generally, if the difference is \$2 or less, you will not receive a refund.

**Line 86 – Balance owing** ▲  
Enter the amount of tax owing. Generally, if the difference is \$2 or less, you do not have to make a payment.

You may be subject to a penalty for late payment if you have a balance owing. For more information, see "Chapter 4 – Penalties and interest" on page 20.

**Line 76 – Contact person** ▲  
Enter the name of the person we can contact about this information return.

## Line 78 – Telephone number ▲

Enter the area code and telephone number of the person we can contact about this information return.

## Certification ▲

An authorized officer of the custodian, or the person who bought an interest in the RCA, has to complete and sign this area.

## Distributing the slips and summary ▲

Attach one copy of every T4A-RCA slip to the completed T4A-RCA Summary, and send them with your payment for any balance owing to:

RCA Unit  
Winnipeg Tax Centre  
66 Stapon Road  
Winnipeg MB R3C 3M2

Send the slips and summary no later than the last day of February following the calendar year to which the T4A-RCA information return relates.

Send two copies of every T4A-RCA slip to the recipient no later than the last day of February following the calendar year to which the information return relates.

If you are a custodian, attach a copy of the T4A-RCA Summary to your T3-RCA tax return.

Keep a photocopy of the completed T4A-RCA Summary and one copy of every T4A-RCA slip for your records.

## Electronic fillable slips

If you use the PDF fillable T4A-RCA slip for ink-jet and laser printers, you can print them on plain white paper. You can also make photocopies to distribute to the recipients. We now accept copies of our forms, not only the original forms that are pre-printed.

### Note

You can send recipients an electronic copy of their T4A-RCA slips. However, each recipient has to consent in writing (in a letter or by email) to receive the slips electronically.

If you file the T4A-RCA information return late or distribute the information slips late, you may be subject to a late-filing penalty. For more information, see “Chapter 4 – Penalties and interest” on page 20.

## Filing a final T4A-RCA information return ▲

What should you do if your RCA closes?

- Remit all income tax deductions from the distributions.
- Complete the T4A-RCA slips and the T4A-RCA summary and send them to the Winnipeg Tax Centre within 30 days of the day that the RCA closes.
- Give copies of the T4A-RCA slips to the appropriate individuals.
- File the final T3-RCA, *Retirement Compensation Arrangement (RCA) Part XI.3 Tax Return*.

## Distributions to non-residents of Canada ▲

The provisions of Part XIII of the Act impose a withholding tax on certain amounts paid or credited to persons not resident in Canada. For a general description of Part XIII tax, see Information Circular, IC77-16R4, *Non-Resident Income Tax*.

## Withholding income tax on distributions made to non-residents of Canada ▲

As a custodian, you have to withhold income tax on any distributions you make out of the RCA trust to non-resident beneficiaries. This applies to periodic payments and lump-sum payments.

The income tax is 25% of the amount you paid or credited to the non-resident. However, if the payments qualify as “periodic pension payments,” the provisions of an income tax convention or agreement between Canada and another country may provide for a reduced rate of Part XIII tax on the payments. For more information about non-resident income tax, the treaty countries and treaty rates see the following publications:

- T4061, NR4 – *Non-Resident Tax Withholding, Remitting, and Reporting*
- IC76-12R6, *Applicable rate of Part XIII tax on amounts paid or credited to persons in countries with which Canada has a tax convention*
- IC77-16R4, *Non-Resident Income Tax*

### Note ▲

If you bought an interest in an RCA from a non-resident, you have to withhold income tax at a rate of 25% of the price you paid.

## Remitting income tax withheld on distributions made to non-residents of Canada ▲

Use the non-resident tax remittance voucher of Form NR76, *Non-Resident Tax – Statement of Account*, to remit the income tax you withheld under Part XIII of the Act. You have to remit this tax no later than the 15th day of the month following the month in which you withheld it. For more information on form NR76 and for remitting the non-resident withholdings, see Guide T4061, NR4 – *Non-Resident Tax Withholding, Remitting, and Reporting*.

## Reporting distributions made to non-residents of Canada ▲

If you are a custodian who distributed an amount out of the RCA trust to a non-resident, you have to file an NR4 information return.

### Note ▲

If you bought an interest in an RCA from a non-resident, you have to file an NR4 information return to report the purchase.

The NR4 information return consists of the NR4 Summary, *Return of Amounts Paid or Credited to Non-residents of Canada*, and the NR4 slip, *Statement of Amounts Paid or Credited to*

*Non-residents of Canada.* You have to file this return no later than March 31 following the year you made the distribution or bought the interest, or no later than 90 days after the end of the trust's tax year. If you discontinue your business, you have to file this return no later than 30 days after the end of the business or activity.

For more information on completing the NR4 information return, see Guide T4061, *NR4 – Non-Resident Tax Withholding, Remitting, and Reporting*.

## Transferring amounts between RCA trusts

Subsection 207.6(7) provides that transfers of amounts between RCA trusts are not subject to tax under Part I of the Act if the lump-sum amount is transferred **directly** from one RCA trust (the **transferring plan**) to another RCA trust (the **receiving plan**).

If you transferred funds to another RCA trust, you **must** send us a copy of the letter of agreement between the two RCA trusts providing the following information:

- the name, complete address, and social insurance number of each member whose funds were transferred;
- the transferring RCA trust's full name, complete address, and custodian's trust account number;
- the receiving RCA trust's full name, complete address, and custodian's trust account number; and
- the amount transferred, supported by a letter to us requesting that the transfer be made.

This letter will authorize us to make the transfer of the related refundable tax on hand from the transferring plan's account to the receiving plan's account.

**If you received funds from another RCA trust, we must** receive a copy of the letter of agreement between the two RCA trusts providing the above information. When you file your T3-RCA tax return, attach a copy of the letter to authorize us to make the transfer of the related refundable tax on hand to your RCA trust's account.

This transfer of funds **does not** apply if the custodian of the receiving plan is a non-resident or if the receiving plan is a foreign plan that is considered by subsection 207.6(5) to be an RCA for Canadian residents participating in the plan.

### Note

The provisions of subsection 207.6(7) do not apply to amounts refunded to the employer that are later transferred to an RCA trust. These amounts are reported in box 12 of a T4A-RCA slip as a refund of employer contributions. For more information, see "Completing the T4A-RCA slip, *Statement of Distributions from a Retirement Compensation Arrangement (RCA)* ▲" on page 17.

## Chapter 4 – Penalties and interest

### Consequences for failing to comply with withholding, remitting, or filing requirements ▲

An employer, a custodian, or a person who bought an interest in an RCA has to meet the terms of the withholding, remitting, and filing requirements. If the employer, custodian, or person who bought an interest in an RCA fails to comply, we will apply penalties.

### Penalties for failing to comply with filing requirements ▲

#### Employer, custodian, or person who bought an interest in an RCA ▲

If you fail to comply with the filing requirements, you may be prosecuted. If convicted, you could be fined from \$100 up to \$2,500. These penalties apply except where another provision of the Act sets out a penalty for the failure.

### Penalties and interest for failing to withhold tax ▲

#### Refundable tax on contributions

##### Employer

If an employer does not withhold the 50% refundable tax on contributions made to a custodian, the employer is required to remit to us an amount equal to the amount of the contribution made to the custodian. The amount the employer remits is deductible by the employer when calculating business income and is considered a payment on account of refundable tax.

#### Income tax on distributions ▲

##### Custodian or person who bought an interest in an RCA ▲

A custodian who made distributions out of an RCA trust or a person who made a payment to buy an interest in an RCA trust has to withhold tax from those payments. If the person did not deduct or withhold the required tax from such payments (including payments made to non-residents) they will be subject to a penalty. The penalty for not deducting or withholding the required tax is:

- 10% of the amount that should have been withheld; or
- 20% of the amount that should have been withheld if the custodian (or the person who bought an interest in the RCA) has **already** been assessed a penalty during the year for failing to withhold the required tax on distributions, and if the second failure was made knowingly or under circumstances amounting to gross negligence.

## Interest ▲

### Employer, custodian, or person who bought an interest in an RCA ▲

If you fail to pay an amount, we will apply interest from the day your payment was due. The interest rate we use is determined every three months, based on prescribed interest rates. Interest is compounded daily. We also apply interest to unpaid penalties. For the prescribed interest rates, go to [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

## Penalties and interest for remitting late or failing to remit withholding tax

### Employer, custodian, or person who bought an interest in an RCA

We assess a penalty on the amount you failed to remit when:

- you deduct the amounts, but do not remit them; or
- we receive the amounts you deducted after the due date.

If the remittance due date is a Saturday, a Sunday, or a public holiday, your remittance is due on the next business day.

The penalty for **remitting late** is:

- 3% if the amount is one to three days late;
- 5% if it is four or five days late;
- 7% if it is six or seven days late; and
- 10% if it is more than seven days late, or if no amount is remitted.

Generally, we only apply this penalty to the part of the amount you failed to remit that is more than \$500. However, in certain circumstances, we may apply the penalty to the total amount.

If you are subject to this penalty more than once in a calendar year, we will assess a 20% penalty on the second or later failures if they were made knowingly or under circumstances of gross negligence.

#### Note

We consider a non-sufficient funds cheque to be a failure to remit and will automatically apply a penalty, as well as an administrative charge.

## Penalties and interest for remitting late or failing to remit the refundable tax ▲

### Employer, custodian, or person who bought an interest in an RCA ▲

The employer, the custodian and a person who has bought an interest in an RCA may have to remit refundable tax in a year. We assess a penalty up to 20% when we receive the amount you withheld past the due date.

The penalty for remitting the refundable tax late, or for failing to remit the refundable tax as required, is calculated as follows:

- 3% if the amount is one to three days late;
- 5% if it is four or five days late;
- 7% if it is six or seven days late; and
- 10% if it is more than seven days late.

If you are subject to this penalty more than once in a calendar year, we will assess a 20% penalty on the second or later failures if they were made knowingly or under circumstances of gross negligence.

Generally, we only apply this penalty to the part of the amount you failed to remit that is more than \$500. However, in certain circumstances, we may apply the penalty to the total amount.

We charge compound interest, calculated daily at the prescribed rate, on both the amount that was not remitted on time and on the penalty.

#### Notes

We will apply a penalty on a non-sufficient funds cheque and we will apply penalties for late or deficient remittances on amounts of more than \$500. This \$500 threshold does not apply:

- to remittances required under Part XIII of the Act (non-residents); or
- if the person who is required to remit such an amount knowingly or under circumstances amounting to gross negligence delayed remitting or remitted less than the required amount.

## Penalty for filing a return late ▲

### Custodian

#### Failure to file a return of income

If the custodian files a T3-RCA tax return late, a penalty applies. The penalty is 5% of the unpaid tax owing on the filing deadline plus 1% of this unpaid tax for each complete month that the tax return is late, up to a maximum of 12 months.

#### Repeated failure to file a return of income

We will charge an even larger penalty for repeated failure to file the T3-RCA tax return when we have assessed a late-filing penalty in any of the previous three tax years. In this case, the penalty is 10% of the unpaid tax when the tax return was due, plus 2% of this unpaid tax for each complete month that the tax return is late, up to a maximum of 20 months.

### Employer, custodian, or person who bought an interest in an RCA, or an employer who made contributions to a custodian of an RCA trust ▲

#### Failure to file an information return ▲

You need to file the T4A-RCA and the T737-RCA information returns on or before the last day of February

following the calendar year to which the information return applies.

The minimum penalty for late filing the T4A-RCA and the T737-RCA information returns is \$100 and the maximum penalty is \$7,500. For the complete penalty structure, go to [www.cra.gc.ca/penaltyinformationreturns](http://www.cra.gc.ca/penaltyinformationreturns).

Tax and information return preparers and their employees, officers, or agents who use an individual's SIN for unauthorized purposes are guilty of an offence and are liable to a fine up to \$5,000, imprisonment up to 12 months, or both.

## **Cancelling or waiving penalties and interest** ▲

### **Employer, custodian, or person who bought an interest in an RCA** ▲

The taxpayer relief provisions of the Act give us some discretion to cancel or waive all or part of any penalties and interest charges. This allows us to consider extraordinary circumstances that may have prevented you from fulfilling your obligations under the Act. For more information, go to [www.cra.gc.ca/taxpayerrelief](http://www.cra.gc.ca/taxpayerrelief) or see Information Circular IC07-1, *Taxpayer Relief Provisions*.

## **Failure to provide a social insurance number (SIN) or other information** ▲

### **Employer, custodian, or person who bought an interest in an RCA** ▲

We can charge a penalty if information is missing on a tax or information return. You have to make a reasonable effort to get the necessary information to complete the tax or information return.

You may be subject to a \$100 penalty each time a SIN is not shown on an information slip unless you have made a reasonable effort to get the SIN. We will not charge this penalty if the individual has applied for a SIN but has not received it when you file the information return.

An individual has to give his or her SIN, on request, to the person who is preparing an information slip for him or her. The individual is subject to a penalty of \$100 for each failure to comply.

An individual who does not have a SIN has to apply for one at any Service Canada Centre no later than 15 days after the request. When the individual receives a SIN, he or she has 15 days to give it to the person preparing the information slip.

A person under the age of 18 years at the end of the tax year does not need a SIN if his or her total income for the year is \$2,500 or less.

For more information, see Information Circular, IC82-2R2, *Social Insurance Number Legislation that Relates to the Preparation of Information Slips*.

## **Use of the SIN** ▲

### **Employer, custodian, or person who bought an interest in an RCA**

Any person who prepares a tax or information return cannot knowingly use, communicate, or let an individual's SIN be communicated for any reason other than the reason for which the individual provided it, unless it is required or authorized by law.

## Appendix 1 – Person who bought an interest in an RCA

A person who bought an interest in an RCA has to undertake many of the same responsibilities that a custodian does. The following rules apply if a person bought an interest in an RCA: ▲

Topic	Information and references
Responsibilities of a person who bought an interest in an RCA	<ul style="list-style-type: none"> <li>■ Withholding and remitting tax</li> <li>■ Filing Form T735 to apply for a remittance account number for tax withheld from the purchase price of an interest in an RCA</li> <li>■ Filing a T4A-RCA information return to report the purchase of an interest in an RCA</li> <li>■ Filing an NR4 information return to report payments made to non-residents who sold an interest in an RCA</li> <li>■ Reporting amounts received from an RCA</li> </ul>
Withholding and remitting tax	<p>You have to withhold tax at a rate of 50% of the purchase price of the interest in the RCA (25% if you bought the interest from a non-resident). For more information, see “Withholding and remitting income tax on distributions ▲” on page 16 and “Withholding income tax on distributions made to non-residents of Canada ▲” on page 19.</p> <p>You have to send the tax to us no later than the 15th day following the month in which you withheld it. If you do not withhold this tax or if you remit the tax late, we will apply penalties. For more information about the penalties, see “Penalties and interest for failing to withhold tax ▲” on page 20.</p>
Applying for a remittance account number for tax withheld	<p>Complete Form T735 to apply for a remittance account number for tax withheld for an RCA. For more information, see “Completing Form T735, <i>Application for a Remittance Number for Tax Withheld from a Retirement Compensation Arrangement (RCA)</i> ▲” on page 15.</p>
Filing a T4A-RCA information return to report the purchase of an interest in an RCA	<p>You have to file a T4A-RCA information return to report the purchase and to provide the seller with a tax information slip. The T4A-RCA information return consists of a T4A-RCA Summary and the related T4A-RCA slips. For more information, see “Filing a T4A-RCA information return to report distributions made out of an RCA trust ▲” on page 17.</p> <p>You have to file the information return no later than the last day of February after the year when you bought the interest.</p>
Filing a T4A-RCA information return to report distributions made out of an RCA	<p>For details on how to complete this information return, see “Completing the T4A-RCA slip, <i>Statement of Distributions from a Retirement Compensation Arrangement (RCA)</i> ▲” on page 17, and “Completing the T4A-RCA Summary, <i>Information Return of Distributions from a Retirement Compensation Arrangement (RCA)</i> ▲” on page 18. If you file the information return late, we will apply the late-filing penalties discussed in “Penalties and interest for remitting late or failing to remit the refundable tax ▲” on page 21.</p>
Filing an NR4 information return to report payments made to non-residents	<p>If you bought an interest in an RCA from a non-resident, you have to file an NR4 information return. This return consists of the NR4 Summary and the related NR4 slips. For more information, see “Reporting distributions made to non-residents of Canada” on page 19.</p> <p>You have to file this return no later than March 31 following the year you bought the interest, or no later than 90 days after the end of the trust’s tax year.</p>
Failure to comply	<p>We will apply penalties if you fail to withhold or remit tax, file any of the information returns late or remit the tax late. See Chapter 4 for more information.</p>
Reporting amounts received from an RCA trust	<p>You have to report amounts you received from the RCA trust. The custodian of the RCA trust will send you a T4A-RCA slip for any distributions made to you.</p>
Selling an interest in an RCA	<p>If you dispose of an interest in an RCA, you have to include the amount you received in your income. The buyer will issue you a T4A-RCA slip for tax purposes. You may be entitled to claim a deduction for amounts received from the disposition of an interest in the RCA. See the instructions under box 18 on the back of the T4A-RCA slip.</p>
Claiming deductions for amounts received from an RCA	<p>You may be entitled to claim a deduction for amounts received from an RCA. See “Additional information” on the back of the T4A-RCA slip.</p>

## Appendix 2 – Additional topics

Topic	Information and <i>Income Tax Act</i> references
Amalgamated corporations	We consider that an amalgamated corporation has made contributions to any RCA to which contributions were previously made by any of the predecessor corporations. <b>Paragraph 87(2)(j.3)</b>
Are contributions that an employee made to an RCA deductible?	<p>Contributions that an employee made to an RCA are deductible to the extent that they meet the provisions of <b>paragraph 8(1)(m.2)</b>.</p> <p>That paragraph allows an employee to deduct contributions made to a pension plan that is an RCA if:</p> <ul style="list-style-type: none"> <li>■ the employee was required under the terms of his or her employment to contribute the amount and the total amount contributed in the year by the employee is not more than the total amount contributed in the year by the employer (or any other person) for the employee; or</li> <li>■ the amount was contributed to a plan that was a registered pension plan but the plan's registration was revoked, and the amount was contributed under the terms of that plan.</li> </ul> <p>In both cases, the contributions have to be made to a custodian who is a resident of Canada.</p> <p>If the contribution the employee made is not deductible under <b>paragraph 8(1)(m.2)</b>, the employee may be eligible to deduct an amount in the year he or she receives an amount from the RCA. For more information, see "Additional information" on the back of the T4A-RCA slip.</p>
Definition of an RCA	<b>Retirement compensation arrangement (RCA)</b> is defined in <b>subsection 248(1)</b> . The definition also covers the circumstances under which we consider an arrangement to be an RCA and includes a list of plans, arrangements, trusts and policies that are excluded from the definition of an RCA.
Definition of an RCA trust	<b>RCA trust</b> is defined in <b>subsection 207.5(1)</b> as a trust governed by an RCA. <b>Subsection 207.6(1)</b> provides special rules that apply when an RCA is established without the creation of a trust.
Distribution of property by an RCA trust	Rules for the distribution of property by an RCA trust are in <b>section 107.2</b> . Generally, the RCA trust must recognize any gain or loss based on the fair market value (FMV) of any or all of the property when it is distributed. We consider that the RCA trust has made a distribution equal to the FMV of the property and that the recipient has received the property at that FMV.
Employee benefit plan (EBP)	<p>We consider that the custodian of an employee benefit plan has made a contribution to an RCA when the employee benefit plan becomes an RCA due to a change of custodian, the custodian stops carrying on business through a fixed place of business in Canada, or if the custodian is no longer licensed or otherwise authorized under the laws of Canada or of a province or territory to offer services as a trustee. Where there is a provision in an EBP for a change of trustees, it is our view that <b>subsection 207.6(4)</b> of the Act does not apply where there is a change of trustees and the new trustee is resident in Canada.</p> <p>Under <b>subsection 207.6(4)</b>, we consider the contribution to be made right after that time and to be equal to the FMV of all the properties of the employee benefit plan. As a result, under <b>section 153</b>, the custodian has to remit to the Receiver General for Canada 50% of the amount that we consider to be a contribution to an RCA. An employer who made non-deductible contributions to the plan while it was an employee benefit plan may also get a deduction under <b>section 32.1</b> in calculating income for the contribution.</p>
Life insurance policies	<p><b>Subsection 207.6(2)</b> provides special rules when an interest in a life insurance policy (including an annuity) is acquired to meet an employer's obligation to provide benefits that are received or enjoyed by an employee on, after, or in contemplation of:</p> <ul style="list-style-type: none"> <li>■ any substantial change in the services rendered by the employee;</li> <li>■ the retirement of the employee; or</li> <li>■ the loss of an office or employment of the employee.</li> </ul> <p>Under this subsection, we consider:</p> <ul style="list-style-type: none"> <li>■ the person or partnership who acquires the interest in the policy to be the custodian of an RCA;</li> <li>■ the interest in the life insurance policy to be the "subject property" of the arrangement;</li> <li>■ that twice the amount of the premiums paid under the policy, or the repayment of a policy loan, are contributions to the arrangement; and</li> <li>■ that payments under the policy, including a policy loan, and refunds of refundable tax are distributions by the arrangement.</li> </ul> <p>The person who buys the interest in the policy has to withhold tax from any payment toward the policy, file the required returns, and pay the special refundable tax. The special rules apply when the plan or arrangement is not otherwise considered to be an RCA and is not excluded by any of <b>paragraphs (a) to (l)</b> and <b>(n)</b> under the definition of <b>retirement compensation arrangement</b> in <b>subsection 248(1)</b>.</p> <p><b>Note</b> The rules in <b>subsection 207.6(2)</b> do not apply to insurance policies held by a beneficiary. Refer to "Annuity contract" on page 5.</p>



Topic	Information and <i>Income Tax Act</i> references
Parent corporation	We consider that a parent corporation has made contributions to any RCA to which contributions were previously made by any subsidiary wound up into the parent corporation. <b>Paragraph 88(1)(e.2)</b>
Personal services corporation	<p><b>Subsection 207.6(3)</b> provides rules that apply to an incorporated employee when:</p> <ul style="list-style-type: none"> <li>■ a personal services corporation or its employee enters into an arrangement with a person or partnership (referred to as the <b>employer</b>) to whom the corporation is providing services; and</li> <li>■ benefits are to be provided under the arrangement on, after, for any substantial change in, or for the end of, the services provided to the employer by the corporation or by the corporation's employee.</li> </ul> <p>In these circumstances, the following rules apply:</p> <ul style="list-style-type: none"> <li>■ an employer-employee relationship is considered to exist between the employer and the personal service corporation; and</li> <li>■ the distributions made to a person under the arrangement are considered to be benefits received or enjoyed by that person on, after, or for a substantial change in the services provided by the corporation.</li> </ul> <p>In this case, we may consider that the plan or arrangement constitutes an RCA as defined in <b>subsection 248(1)</b>, depending on its terms.</p>
Refusal to register a pension plan	A pension plan submitted for registration under the Act reverts to its status as an RCA if we refuse to register it as a registered pension plan. <b>Subsection 147.1(3)</b>
Resident's arrangement	<p>The definition of an RCA excludes a retirement plan (other than an athlete's plan) kept mainly for the benefit of non-residents for services provided outside Canada. However, special rules apply (except as noted below) if contributions are made to a foreign plan for employees resident in Canada. The foreign plan is considered to be an RCA and any contributions made to it (and the investment income derived from these contributions) are subject to the refundable RCA tax.</p> <p>Contributions made in respect of an employee who has been resident in Canada for less than 60 of the preceding 72 months are excluded if the employee was a member of the foreign plan before becoming a Canadian resident, or became a plan member by the end of the calendar month following the month in which the employee became a resident.</p>

## Appendix 3 – Income Tax Act references

You may find the following references helpful when dealing with RCAs. References are to the *Income Tax Act*, except where the reference follows the letters “Reg.,” in which case the reference is to the *Income Tax Regulations*.

Topic	<i>Income Tax Act</i> references	Page
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Rules for corporations on amalgamation .....	87(2)(j.3).....	N/A
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## For more information

### What if you need help?

If you need more information after reading this guide, visit [www.cra.gc.ca](http://www.cra.gc.ca) or call 1-800-959-5525.

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### Teletypewriter (TTY) users

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

### Direct deposit

We can deposit a T3 refund into the trust's account at a financial institution in Canada.

To start direct deposit or to change banking information for a trust's account, the custodian or person authorized by the custodian fills out Form T3 DD, *Direct Deposit Request for T3*, and sends it to us. For more information, go to [www.cra.gc.ca/directdeposit](http://www.cra.gc.ca/directdeposit).

### Our service complaint process

#### Step 1 – Talk to us

If you are not satisfied with the service that you have received from us, you can file a formal complaint. Before you do this, we recommend that you try to resolve the matter with the CRA employee you have been dealing with or call the telephone number that you were 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.

#### Step 2 – Contact the CRA Service Complaints Program

The Service Complaints Program is available to individuals and businesses. This program gives you another level of review if you are not pleased with the results from the **first step** of our complaint process. Generally, service related complaints refer to the quality and timeliness of our work.

To file a complaint with the Service Complaints Program, complete Form RC193, *Service Related Complaint*, which you can get by going to [www.cra.gc.ca/complaints](http://www.cra.gc.ca/complaints).

#### Step 3 – Contact the taxpayers' ombudsman

If, after following steps 1 and 2, you are still not satisfied with our service, you can file a complaint with the Office of the Taxpayers' Ombudsman.

For information about the taxpayers' ombudsman and how to file a complaint, visit [www.oto-boc.gc.ca](http://www.oto-boc.gc.ca).

### Reprisal complaint

If you believe that you have been subject to reprisal, complete Form RC459, *Reprisal Complaint*. For more information about reprisal complaints, go to [www.cra.gc.ca/reprisalcomplaints](http://www.cra.gc.ca/reprisalcomplaints).

### Your opinion counts

If you have comments or suggestions that could help us improve our publications, send them to:

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Canada Revenue Agency  
395 Terminal Avenue  
Ottawa ON K1A 0L5