
Legislative Proposals Relating to Pooled Registered Pension Plans
Explanatory Notes

Clause in Legislation	Section of the Act Amended	Topic	Page
Income Tax Act			
1	6	Amounts included in income	1
2	18	Limitation on interest expense	1
3	20	Employer contributions to PRPP	2
4	56	Amounts included in income	2
5	60	Rollover of proceeds on death	2
6	60.02	Rollover to RDSP – definitions	3
7	75	Exception from attribution rules	4
8	108	Trusts – definitions	4
9	118	PRPP income - pension credit and income splitting	5
10	146	Registered retirement savings plans	5
11	146.3	Registered retirement income fund	8
12	147.5	Pooled registered pension plans	8
13	149	Exemption for PRPP trust	25
14	152	Reassessment where certain deductions claimed	25
15	172	Appeal from refusal to register	26
16	180	Appeal to Federal Court of Appeal	26
17	204.2	Over-contributions to RRSP or PRPP	27
18	212	Tax on Canadian income of non-resident	30
19	241	Provision of information	30
20	248	Interpretation	31
21	253.1	Investments in limited partnerships	33
22	259	Proportional holdings in trust property	33
Income Tax Regulations			
23	100	Tax deductions – definitions	34
24	213	Information returns – PRPPs	34
25	4802	Pension investment corporations and trusts	35
26	8502	Registered pension plans	35

Income Tax Act

Clause 1

Amounts included in income

ITA

6(1)(a)

Paragraph 6(1)(a) of the *Income Tax Act* (the “Act”) provides for the inclusion in computing the income of a taxpayer from an office or employment of the value of employment benefits received or enjoyed by the taxpayer in respect of or in the course of employment, subject to a number of specified exceptions in subparagraphs 6(1)(a)(i) to (v). The first of these exceptions, subparagraph 6(1)(a)(i), describes benefits that are derived from an employer’s contributions to various types of plans for employees.

As a consequence of the introduction of pooled registered pension plans (PRPPs) and income tax rules to accommodate them, subparagraph 6(1)(a)(i) is amended to add a reference to an employer’s contributions to a PRPP. Generally, therefore, benefits derived from such contributions are not included in an employee’s income from employment.

For further information regarding PRPPs, please see the commentary on new section 147.5.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Clause 2

Limitations on interest expense

ITA

18(11)(c)

Subsection 18(11) of the Act prohibits the deduction of interest expenses in respect of indebtedness incurred for the purposes of making a contribution to a registered retirement savings plan or certain other deferred income plans.

Paragraph 18(11)(c) is amended to extend the prohibition on interest deductibility to money borrowed by an individual to make a contribution to a pooled registered pension plan (PRPP) or money borrowed by an employer to make a contribution to a PRPP that is not deductible under paragraph 20(1)(q).

For further information, see the related commentary on paragraph 20(1)(q) and on new subsection 147.5(10) regarding the deductibility of employer contributions to PRPPs.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Clause 3**Employer contributions to PRPPs**

ITA
20(1)(q)

Subsection 20(1) of the Act describes certain amounts that may be deducted in computing the income of a taxpayer for a taxation year. Paragraph 20(1)(q) permits an employer to deduct contributions made to a registered pension plan (RPP).

As a consequence of the introduction of pooled registered pension plans (PRPPs) and the income tax rules to accommodate them, paragraph 20(1)(q) is amended to add a reference to employer contributions to a PRPP.

For further information regarding PRPPs, please see the commentary on new section 147.5.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Clause 4**Amounts included in income**

ITA
56(1)(z.3)

Subsection 56(1) of the Act describes certain amounts that are required to be included in computing the income of a taxpayer for a taxation year.

New paragraph 56(1)(z.3) creates a reference to amounts required to be included in income because of new section 147.5. Section 147.5 provides rules relating to pooled registered pension plans (PRPPs) and, in general terms, amounts distributed from a taxpayer's account under a PRPP are required to be included in computing the taxpayer's income.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Clause 5**Rollover of proceeds on death**

ITA
60(I)

In circumstances where an individual has received (or is deemed to have received) certain taxable lump sum amounts from a registered retirement savings plan (RRSP), a registered retirement income fund (RRIF) or a registered pension plan (RPP), paragraph 60(I) of the Act allows the individual to claim an offsetting deduction for qualifying payments (not exceeding the amounts so received) made by or on behalf of the individual. If, as a consequence of the death of a parent or grandparent on whom a minor was financially dependent, the minor receives taxable proceeds from the deceased parent's (or

grandparent's) RRSP, RRIF or RPP, a payment made to acquire an immediate annuity payable for a fixed term not exceeding 18 years minus the age of the minor at the time of acquisition is a qualifying payment for the purposes of paragraph 60(l).

Paragraph 60(l) is amended to generally permit a financially dependent minor child or grandchild of a deceased pooled registered pension plan member to take a deduction for any taxable amounts received from the PRPP (after the death) used to purchase a term (to age 18) annuity. Specifically, subclause 60(l)(v)(B.1)(II) is amended so that a lump sum death benefit received from a "pooled registered pension plan" is included in computing the limit on the deduction for the cost of acquiring the annuity.

For further information regarding PRPPs, please see the commentary on new section 147.5.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Clause 6

Rollover to RDSP – definitions

ITA
60.02(1)

Section 60.02 of the Act provides definitions and rules that apply for the purposes of a tax-deferred rollover to a registered disability savings plan (RDSP) after the death of a registered retirement savings plan (RRSP) or registered retirement income fund (RRIF) annuitant or of a member of a registered pension plan (RPP).

"eligible individual"

An "eligible individual" is a child or grandchild of a deceased RRSP or RRIF annuitant or of a deceased RPP member who was financially dependent on the deceased, at the time of the deceased's death, by reason of mental or physical infirmity of the dependant. The definition "eligible child" is amended to include an infirm financially-dependent child or grandchild of a deceased member of a pooled registered pension plan (PRPP).

"eligible proceeds"

Eligible proceeds are generally any of a refund of premiums from an RRSP, an eligible amount paid from a RRIF or a lump sum payment (other than from actuarial surplus) from an RPP, that is received by an eligible individual as a consequence of the death, after March 3, 2010, of a parent or grandparent of the eligible individual. The definition "eligible proceeds" is amended to add a reference to a lump sum payment from a PRPP received by an eligible individual as a consequence of the death of a parent or grandparent of the eligible individual.

For further information regarding PRPPs, please see the commentary on new section 147.5.

These amendments will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Clause 7**Exception from attribution rules**

ITA
75(3)(a)

Subsection 75(3) of the Act exempts a number of trusts from the attribution rule in subsection 75(2), under which any income or loss from trust property held by certain reversionary trusts can be attributed for tax purposes to the persons from whom the property was received. Paragraph 75(3)(a) exempts certain trusts governed by plans such as registered pension plans, registered retirement savings plans, and employee benefit plans.

Paragraph 75(3)(a) is amended to add trusts governed by pooled registered pension plans (PRPPs) to the list of exempt trusts. For further information regarding PRPPs, please see the commentary on new section 147.5.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Clause 8**Trust – definition**

ITA
108(1)
“trust”

Section 108 of the Act provides definitions and rules that apply for the purposes of subdivision k of the Act, which deals with the taxation of trusts and their beneficiaries. For the purposes of the 21-year deemed disposition rule and other specified measures, subsection 108(1) defines trust to exclude certain trusts. Under paragraph (a) of the definition “trust”, trusts governed by registered retirement savings plans and a number of other special income plans are among those trusts excluded for these purposes.

As a consequence of the introduction of pooled registered pension plans (PRPPs) and the income tax rules to accommodate them, paragraph (a) of the definition “trust” is amended to add a reference to PRPPs as excluded trusts for these purposes. For further information regarding PRPPs, please see the commentary to new section 147.5.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Clause 9**PRPP – pension credit and income splitting**ITA
118(7)

“pension income”

The definition “pension income” in subsection 118(7) of the Act applies for the purposes of the pension credit provisions in subsection 118(3) and the pension income splitting provisions in section 60.03.

Subparagraph (a)(i) of the definition “pension income” refers to life annuity payments from a superannuation or pension plan. Subparagraph (a)(i) of the definition “pension income” is amended to exclude life annuity payments out of or under a pooled registered pension plan (PRPP). Subparagraph (iii.2) is added to the definition to include in pension income any amounts included in the taxpayer’s income under new section 147.5. As a result, taxable benefits paid out of or under a PRPP (including variable benefits and payments from a PRPP qualifying annuity) are eligible for the pension credit and pension income splitting on amounts received after the taxpayer has attained 65 years of age.

For further information, please see the commentary on section 147.5, and in particular, the commentary on new subsections 147.5(1), (5), (20) and (22) regarding qualifying annuities and variable benefits for PRPP purposes.

These amendments will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Clause 10**Registered retirement savings plans**ITA
146(1)

Subsection 146(1) of the Act defines a number of terms that apply for the purposes of the rules in section 146 of the Act that apply to registered retirement savings plans (RRSPs).

“unused RRSP deduction room”

Subsection 146(1) defines “unused RRSP deduction room”, which measures the amount of deduction room for RRSP contributions that an individual may carry forward from one year to use in future years. An individual’s unused RRSP deduction room at the end of a year is generally defined to be the amount determined by the formula $A + B + R - (C + D)$. Variable D reduces an individual’s unused RRSP deduction room by the RRSP contributions deducted by the individual in computing his or her income for the year.

Variable D is amended to add a new subparagraph (iii), under which an individual’s unused RRSP deduction room will also be reduced by the amount of contributions made by an employer in the year to the individual’s account under a pooled registered pension plan (PRPP). As a consequence, employer contributions to a PRPP in one year will reduce an individual’s “RRSP deduction limit” (defined in

subsection 146(1) to include unused RRSP deduction room) in the following year. Pursuant to subsection 146(5), an employer's contributions to an individual's PRPP account in a year also reduce the deductible contributions that the individual can make in the year to an RRSP or PRPP.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

ITA
146(1.1)

Certain tax provisions apply in relation to the treatment of retirement savings on the death of an individual in situations where a recipient of the savings is a financially dependent child or grandchild of the deceased individual. Subsection 146(1.1) of the Act sets out a rebuttable presumption that a child or grandchild of a deceased RRSP annuitant is not financially dependent on the deceased if the income of the child or grandchild exceeds the amount specified in that subsection.

Subsection 146(1.1) is amended, consequential on the introduction of section 147.5 pertaining to PRPPs, so that the rebuttable presumption in that subsection also applies for the purposes of that section. For example, the rebuttable presumption in subsection 146(1.1) will now apply for the purposes of

- the definition “qualifying survivor” (in subsection 147.5(1)) of a deceased PRPP member, which includes a child or grandchild who was financially dependent on the member for support; and
- new subsection 147.5(20), which permits a tax-free transfer of a lump sum death benefits paid from a deceased PRPP member's account to a child or grandchild who was financially dependent on the member for support by reason of mental or physical infirmity.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

ITA
146(5)(b)

Subsection 146(5) of the Act provides that an individual may deduct in computing his or her income for a taxation year an amount not exceeding the lesser of two amounts. The first amount, determined under paragraph 146(5)(a), is the individual's undeducted RRSP contributions made on or before the 60th day of the year following the taxation year. The second amount, determined under paragraph 146(5)(b), is the individual's RRSP deduction limit for the year.

Paragraph 146(5)(b) is amended, consequential on the introduction of new section 147.5 pertaining to pooled registered pension plans (PRPPs), so that an employer's contributions in a year to an individual's PRPP account will reduce the amount of deductible contributions that an individual can make in that same year to an RRSP or PRPP.

The impact of an employer's contributions to PRPPs on the RRSP room of its employees is not similar to the “pension adjustment” mechanism that applies to employer contributions to a money purchase provision (as defined in subsection 147.1(1)) of a registered pension plan (RPP). Under the RPP rules, a pension adjustment generated from contributions in respect of an individual (*i.e.*, the employee) for a particular year reduces the individual's “RRSP deduction limit” and “unused RRSP deduction room” for the year following the year in which the employer contributions are made.

In the case of a PRPP, an employer's contributions to an individual's PRPP account in a taxation year will immediately reduce the individual's ability to make deductible RRSP contributions under subsection 146(5). New subsection 147.5(11) deems an individual's contributions to a PRPP in a taxation year to be premiums paid by the individual to an RRSP of the individual for various purposes of the Act, including subsection 146(5). As a result, an individual's PRPP contributions in a year will immediately reduce the individual's ability to make deductible RRSP contributions in that same year.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

ITA
146(8.2)(b)

Subsection 146(8.2) of the Act is a relieving provision that provides a deduction for certain RRSP and RRIF distributions that are included in computing an individual's income. The deduction is available to the extent that the distributions are made in respect of certain non-deducted RRSP premiums paid by the individual to the individual's RRSP or to a spousal or common-law partner's RRSP. Paragraph 146(8.2)(b) specifies that the deduction, which is generally permitted under subsection 146(8.2), does not apply to a withdrawal of RRSP contributions made by way of a direct transfer from a registered pension plan, a deferred profit sharing plan or a specified pension plan (*i.e.*, the Saskatchewan Pension Plan).

Subparagraph 146(8.2)(b)(iii) is amended, consequential on the introduction of section 147.5, to specify that the deduction under subsection 146(8.2) will not be allowed in respect of a withdrawal of RRSP contributions made by way of a direct transfer from a PRPP.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

ITA
146(21.2)

Subsection 146(21.2) of the Act applies for various purposes of the Act and *Income Tax Regulations* to deem an individual's account under a specified pension plan (*i.e.*, the Saskatchewan Pension Plan) to be a registered retirement savings plan under which the individual is the annuitant.

Consequential on the introduction of new section 147.5 pertaining to pooled registered pension plans (PRPPs), subsection 146(21.2) is amended to add a reference to new paragraph 147.5(20)(c) to permit a PRPP member or a surviving spouse or common-law partner to transfer an entitlement from a PRPP to an account under the Saskatchewan Pension Plan.

For further information regarding PRPPs, please see the commentary on section 147.5.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Clause 11**Registered retirement income fund**

ITA

146.3(2)(f)

Paragraph 146.3(2)(f) of the Act prohibits a registered retirement income fund (RRIF) from receiving property, other than property transferred from a limited number of listed sources.

Paragraph 146.3(2)(f) is amended to add new subparagraph (viii), which adds pooled registered pension plans to the list of registered vehicles from which a RRIF may receive a transfer of property.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

ITA

146.3(14.1)

Subsection 146.3(14.1) of the Act provides for the direct transfer of an amount from an annuitant's RRIF to a money purchase provision of a registered pension plan for the benefit of the annuitant under certain circumstances.

Subsection 146.3(14.1) is amended, consequential on the introduction of section 147.5 pertaining to PRPPs, to permit a RRIF annuitant to transfer an amount from the RRIF to the annuitant's account under a PRPP.

For further information regarding PRPPs, please see the commentary on new section 147.5.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Clause 12**Pooled registered pension plans**

ITA

147.5

New section 147.5 of the Act provides the basic framework of income tax rules that will apply in relation to pooled registered pension plans (PRPPs). In general terms, PRPPs are intended to operate in a manner similar to multi-employer money-purchase registered pension plans, but with certain features drawn from the registered retirement savings plan and registered retirement income fund systems. The overall policy intent of the tax rules is to provide a new option for retirement savings – one that will be especially attractive to smaller employers and to self-employed individuals. Consequently, and in the interests of reducing costs for taxpayers, the rules are intended to be, in some respects, simpler than the existing tax rules for pensions.

New section 147.5, and the related tax rules applicable to PRPPs, will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

ITA
147.5(1)

New subsection 147.5(1) of the Act defines terms that are relevant for the purposes of new subsection 147.5.

“administrator”

An “administrator” of a PRPP is generally defined to be a corporation resident in Canada that has responsibility for the administration of a PRPP and that is authorized under the *Pooled Registered Pension Plans Act* or a similar law of a province to act as a PRPP administrator.

“designated pooled pension plan”

A “designated pooled pension plan” is generally defined to be a pooled pension plan that, at any time in a calendar year, has fewer than 10 participating employers, holds more than half of its property (by fair market value) for employees of a single employer, or has a plan membership that is concentrated with a single employer (*i.e.*, more than 50% of plan members work for a single employer). For this purpose, new subsection 147.5(28) generally deems related employers, as well as various units of trade unions, to be a single employer.

Designated pooled pension plan status, which is anticipated to be fairly unusual, is relevant to the application of new subparagraph 147.5(3)(e)(ii), which generally precludes a designated pooled pension plan from holding investments in an employer that participates in the plan.

“excluded investment”

An “excluded investment” is generally defined as a debt issued by Her Majesty in Right of Canada or a province, or by a Canadian municipality. Excluded investments may be disregarded for the purposes of paragraph 147.5(3)(f), which imposes a diversification requirement on PRPPs.

“member”

A “member” of a pooled pension plan is an individual who holds an account under the plan.

“participating employer”

A “participating employer” is generally defined as an employer who either makes contributions to a PRPP on behalf of its employees, or one who, under a contract with the PRPP’s administrator, has set up an arrangement to facilitate employee contributions. This definition is therefore intended to apply to employers who, in effect, offer one or more PRPPs to their employees, but not to an employer who occasionally remits amounts to various PRPPs at the request of an employee.

For example, in 2019 an employer hires Keith, who has been in the workforce for 10 years and has organized his retirement savings through different periods of employment and self-employment in a single PRPP. Keith is working out well, and his employer awards him a \$2,000 bonus. Keith asks if the employer could remit this amount directly to his PRPP and the employer agrees. In this case, Keith’s employer would not be a participating employer for the purposes of Keith’s PRPP.

The definition “participating employer” is relevant to the application of the definition “designated pooled pension plan” and to the related rules in new paragraph 147.5(3)(c) and new subparagraph 147.5(3)(e)(ii).

“pooled pension plan”

A “pooled pension plan” is generally defined as a plan that has been registered under the *Pooled Registered Pension Plans Act* or a similar law of a province. This concept follows the same basic approach that is found with respect to other plans registered under the Act. Rules in the Act that apply to a plan that either has not yet been registered under the Act or whose registered status has been revoked refer to “pooled pension plans”; as do those rules that apply in situations where a plan may or not be registered. Rules in the Act that apply only to pooled pension plans with registered status under the Act refer to “pooled registered pension plans” or “PRPPs”.

“pooled registered pension plan” or “PRPP”

A “pooled registered pension plan” or “PRPP” is a pooled pension plan that has been accepted for registration by the Minister of National Revenue and that registration has not been revoked. Registration conditions for PRPPs are set out in new subsection 147.5(2).

“qualifying annuity”

The term “qualifying annuity” is defined for the purposes of a transfer described in new paragraph 147.5(20)(c). A qualifying annuity may be purchased for the benefit of an individual described under new paragraph 147.5(20)(b). In that case, PRPP account proceeds used to purchase the annuity will not be included under new subsection 147.5(16) in the income of the person for whom the annuity was acquired. An annuity purchased from a PRPP account is a qualifying annuity if it satisfies the following five conditions:

- the annuity is payable either for the individual’s life or for the joint lives of the individual and his or her spouse or common-law partner (paragraph (a));
- payments under the annuity begin by the end of the calendar year in which the individual attains 71 years of age, or the year of acquisition, whichever is later (paragraph (b));
- the annuity is payable at least annually and generally in equal installments (subject to permitted variations and increases described in subparagraphs 146(3)(b)(iii) to (v) (paragraph (c));
- any guarantee period (in relation to early death of the annuitant(s)) does not exceed 15 years and, if the annuitant(s) dies during the guarantee period, any amount payable is commuted into a single payment (paragraph (d)); and
- no premiums may be paid under the annuity, other than the payment from the PRPP to acquire the annuity (paragraph (e)).

“qualifying survivor”

A “qualifying survivor”, in relation to a deceased PRPP member, is an individual who was, immediately before the member’s death, the spouse or common-law partner of the member, or a child or grandchild of the member who was financially dependent on the member. The determination of whether a child or grandchild is “financially dependent” is subject to the interpretation rule in subsection 146(1.1).

“restricted investment”

A “restricted investment” for a pooled pension plan is, in general terms, an investment in a business in which a plan member has a “significant interest” (as that term is described in new subsection 147.5(29))

or with which a plan member does not deal at arm's length. This definition is relevant in relation to new subparagraph 147.5(3)(e)(i).

“single amount”

A “single amount” paid from a PRPP is any payment that is not a part of a series of periodic payments from the PRPP. This is the same definition as is used in subsection 147.1(1) and is intended to have the same meaning.

“successor member”

A “successor member” means, in general terms, a surviving spouse or common-law partner who assumes all of the rights in respect of the PRPP account of the original plan member on that member's death. This concept, similar to a “successor holder” of a tax-free savings account, a successor annuitant of a registered retirement income fund (RRIF) or a designated beneficiary of a life insurance policy, will enable a surviving spouse or common-law partner who has obtained all of the member's rights to benefits under the PRPP to assume the deceased member's position in relation to the PRPP account without any further tax consequences related to the death of the member. Where this definition applies, new subsection 147.5(15) will govern the transfer of the rights under the plan and the other PRPP rules relating to succession will not apply.

ITA
147.5(2)

New subsection 147.5(2) of the Act sets out the conditions for registration of a PRPP. The introductory portion of subsection 147.5(2) requires that the Minister of National Revenue not accept a pooled pension plan for registration unless the application has been made in the prescribed manner (that is, in the manner and form determined by the Minister) and the Minister is satisfied that the plan meets all the registration conditions set out in the subsection.

New paragraph 147.5(2)(a) requires that the main purpose of a PRPP be to accept and invest contributions for the purpose of providing retirement income to the PRPP's members, subject to the limits (*e.g.*, contribution limits) and requirements (*e.g.*, investment restrictions) applicable to PRPPs under the Act.

New paragraph 147.5(2)(b) requires that a single and separate account be maintained for each PRPP member, that each account be credited with contributions made to the plan in respect of the member and investment earnings allocated to the member, and that each account be charged with all payments and distributions made out of the account in respect of the member.

New paragraph 147.5(2)(c) requires that the only benefits provided to any member of a PRPP be those that can be funded out of the member's account (similar to the rules that apply to money purchase accounts under registered pension plans). For further information, please see the commentary on new subsections 147.5(5) and (20), which relate to permissible benefits and transfers out of PRPPs.

New paragraph 147.5(2)(d) requires an annual (or more frequent) allocation of PRPP investment earnings to member accounts and that those earnings be allocated on a reasonable basis.

New paragraph 147.5(2)(e) requires that all property held in connection with a PRPP be held in trust by the administrator on behalf of the plan members. As a result, a PRPP is generally treated as a trust for tax purposes, the administrator is the trustee of that trust, the members are the beneficiaries, and the trust property is the property held in connection with the plan.

New paragraph 147.5(2)(f) requires a PRPP to include a stipulation that no right of a person under the PRPP is capable of being assigned, charged, anticipated, given as security or surrendered. However, the paragraph does allow an assignment (*i.e.*, of all or a portion of a member's account) to a current or former spouse or common-law partner pursuant to a court order or written agreement on the breakdown of marriage or common-law partnership or an assignment by the legal representative of a deceased individual on the distribution of the individual's estate.

New paragraph 147.5(2)(g) requires that all contributions made to a member's account vest immediately and indefeasibly. This requirement is consistent with a requirement in the *Pooled Registered Pension Plans Act* and is included in order to avoid the complexities inherent in "pension adjustment reversal" rules that otherwise apply to registered pension plans. For example, if employer contributions did not vest immediately but instead could be re-distributed to the accounts of other members or be returned to the employer where an employee that was a plan member left employment before the end of a two-year period, it would be appropriate to have a mechanism that required the employer to calculate how much RRSP room should be restored to the member.

New paragraph 147.5(2)(h) requires that a PRPP permit a member of the PRPP to withdraw an amount from his or her member's account if tax would otherwise be payable by the member on that amount under Part X.1 of the Act.

Paragraph 147.5(2)(i) requires that any amount payable from a member's account after the death of the member be paid as soon as practicable after the member's death.

Paragraph 147.5(2)(j) requires that there be no reason to expect (*e.g.*, based on a review of the application for registration) that the PRPP may become a revocable plan. See the commentary on subsections 147.5(3) and (4) – those subsections list various circumstances under which a PRPP becomes a revocable plan.

Paragraph 147.5(2)(k) allows additional registration conditions to be prescribed by regulation. No such additional conditions are currently contemplated.

ITA 147.5(3)

New subsection 147.5(3) of the Act sets out the circumstances under which the registered status of a PRPP becomes revocable by the Minister of National Revenue (*i.e.*, the PRPP becomes a revocable plan).

Under new paragraph 147.5(3)(a), a PRPP becomes a revocable plan if it accepts a contribution in respect of a member that is not made by the member, made by an employer or former employer of the member, or transferred to the PRPP on behalf of the member under one of the listed transfer provisions.

Under new paragraph 147.5(3)(b), a PRPP becomes a revocable plan if it accepts a contribution in respect of a member after the year in which the member turns 71 years of age (other than one transferred to the PRPP on behalf of the member under one of the listed transfer provisions).

Under new paragraph 147.5(3)(c), a PRPP becomes a revocable plan if a participating employer makes contributions to a PRPP in respect of a plan member that exceed the RRSP dollar limit for the year, except where the member has given a direction for the employer to contribute a larger amount. Since the main method of ensuring that retirement savings contribution limits are respected in relation to PRPPs is the application of the RRSP over-contribution rules in Part X.1 of the Act, which rules apply in relation to individual members, the RRSP dollar limit has been selected as a reasonable safeguard against member over-contributions that would be subject to Part X.1. By giving a direction, an individual who knows that he or she has unused RRSP deduction room that is greater than the year's RRSP dollar limit, could, for example, direct that a large bonus payable by an employer be contributed by the employer to the member's PRPP account.

Under new paragraph 147.5(3)(d), a PRPP becomes a revocable plan if certain distributions are made from the plan. The distributions that cause a PRPP to become revocable are any distributions, other than

- payments of benefits described in subsection 147.5(5) (including any single amount payment that is transferred in accordance with subsection 147.5(20)), or
- payments to a member to permit the member to reduce the amount of tax that would otherwise be payable under Part X.1, certain returns of contributions, and payments made to comply with any requirement under the Act.

For further information, please see the commentary on paragraph 147.5(2)(h) and subsections 147.5(5), (20) and (21).

New paragraphs 147.5(3)(e) and (f) impose restrictions on the property that a PRPP may hold. These investment restrictions are intended to prevent most tax avoidance planning. As well, they provide a limited diversification requirement, without the introduction of an extensive qualified investment regime and the imposition of the associated compliance burden on administrators.

Under new subparagraph 147.5(3)(e)(i), an administrator is precluded from holding a property that the administrator knew or ought to have known was a "restricted investment". This rule is intended to prevent a plan administrator from participating in an arrangement whereby plan members contribute, or cause the PRPP to acquire, interests in a member's business or professional practice, with a view to streaming income to the PRPP. Subparagraph 147.5(3)(e)(i) is not meant to impose an obligation on administrators to make an exhaustive inquiry into the possible connections between a particular plan member and a given investment opportunity; but rather to prevent administrators from participating in arrangements that could be used to circumvent PRPP contribution limits or, in the case of older individuals, to systematically reduce the value of their PRPP accounts in order to avoid or reduce required PRPP withdrawals in retirement.

Example One – Ordinary Course Investing by PRPP

Tom is a graphic designer and has been saving for his retirement by contributing to a PRPP. At the end of 2020, Tom's PRPP savings are \$35,000. In 2021, Tom marries Jane. Jane is the daughter of Ed and Sara, a wealthy couple who together directly hold a "significant interest" (*i.e.*, more than 10% of a class of shares) in Pubco. Because of Ed and Sara's shareholdings, Tom and Jane are themselves considered to have a "significant interest" in Pubco. Tom's PRPP holds assets of over \$500 million on behalf of thousands of Canadians. Among those assets, Tom's PRPP holds 1% of a class of shares of Pubco that trades publicly.

Although Jane has independent wealth, she also works as a physiotherapist in a small clinic, which has begun offering a PRPP to its employees. Jane has become a member of this PRPP. Jane's PRPP has a bond focus and holds Pubco bonds among its investments.

In these circumstances, the administrators of Tom's and Jane's PRPPs could not reasonably be expected to know about Tom's or Jane's connection to Pubco, nor that the PRPP's holdings of Pubco are restricted investments. Situations like this are meant to be accommodated and would not be considered to violate the rule in new subparagraph 147.5(3)(e)(i). As a result, neither PRPP would face adverse tax consequences, have obligations to make inquiries, nor have other compliance requirements as a result of holding shares or bonds of Pubco.

Example Two – Ordinary Course Investing by PRPP

Ed from Example One is an employee of Pubco – he is its chief executive officer. Pubco begins participating in a PRPP for its 5,000 employees. Pubco makes no special arrangements to exclude employees who are insiders or shareholders of Pubco and they contribute to the PRPP on the same basis as other employees. Pubco's PRPP is administered by a financial institution and has 80 other participating employers. The PRPP administrator has put 5% of the PRPP's assets into a mutual fund-style investing arrangement. The investment managers for the arrangement have discretion to choose investments based on agreed-upon parameters, and they purchase shares of Pubco. The investment managers have no knowledge of the membership of any of the PRPPs that are invested in the arrangement. Neither the PRPP administrator nor the investment managers could be expected to know that a member of the PRPP has a significant interest in Pubco. The PRPP would therefore not face any adverse tax consequences, nor have obligations to make inquiries or other compliance requirements as a result of holding the indirect interest in Pubco.

Example Three – Tax-planned Arrangement

An individual approaches a PRPP administrator on behalf of a group of clients. The individual is promoting an investment strategy for PRPPs. He recommends that the PRPP acquire shares of classes F through Z of Acme Corporation. He indicates that if the PRPP acquires these shares: a) they will earn returns of 8-15% annually, depending on the class; and b) he will bring the administrator a new group of PRPP clients. An administrator of a PRPP is expected to recognize that unusual promotions of this nature may involve restricted investments. An administrator who acquired, on behalf of a PRPP, shares of classes F through Z of Acme Corporation, which in fact turned out to be restricted investments for the PRPP, without further inquiry into the financing and ownership of Acme Corporation, "ought to have known" that these investments were restricted investments for the PRPP.

Example Four – Tax-planned Arrangement

A nationwide association that represents the interests of employees and self-employed individuals who work in a particular industry (for example, providing professional services) approaches a PRPP administrator about the possibility of establishing a PRPP for members of the association. The association indicates that it is interested in a PRPP that focuses on investing in the particular industry. Under these circumstances, it appears that many potential investments would be “restricted investments”. Therefore, a failure by the administrator to make inquiries regarding whether any particular investment is restricted together with the acquisition of a restricted investment would be inconsistent with the administrator’s obligations under subparagraph 147.5(3)(e)(i).

For further information, please see the commentary on the definition “restricted investment” and on new subsection 147.5(29).

New subparagraph 147.5(3)(e)(ii) applies only to “designated pooled pension plans” as defined in subsection 147.5(1). If a plan is a designated pooled pension plan, it will not be allowed to hold any investment in a participating employer or in a person or partnership that does not deal at arm’s length with a participating employer. This rule is intended to prevent self-dealing arrangements such as the deduction by an employer of PRPP contributions, the value of which is returned to it in the form of an investment in the employer or a person or partnership that does not deal at arm’s length with the employer. It is expected that PRPPs will generally have a large number of arm’s length participants and that few PRPPs will be designated pooled pension plans. As a result, it is anticipated that this rule will rarely apply.

Under new subparagraph 147.5(3)(f), a PRPP becomes a revocable plan if, in general terms, its administrator fails to take reasonable precautions to avoid holding more than 10% of its assets in a particular “non-arm’s length group”. A non-arm’s length group is a particular person or partnership, together with all other persons or partnerships that do not deal at arm’s length, or are affiliated, with the particular person or partnership. Like subparagraph 147.5(3)(e)(i), this rule is not meant to impose an obligation on an administrator to make exhaustive inquiries into the potential linkages between various businesses that present themselves as investment opportunities for PRPPs. Instead, it is intended to prevent a PRPP from pursuing a policy of concentrating a large portion of its assets in investments in a single enterprise or non-arm’s length group of enterprises.

Under new subparagraph 147.5(3)(g), a PRPP becomes a revocable plan if it borrows money or other property for the purposes of the plan. This requirement is intended to prevent a PRPP from borrowing (for example, from the administrator or a person related to a plan member) in order to increase the total assets under management for the benefit of plan members. Such an arrangement could be used as part of an arrangement to effectively circumvent PRPP contribution limits by earning investment returns on behalf of PRPP members on money borrowed at favourable interest rates.

ITA
147.5(4)

New subsection 147.5(4) sets out an additional circumstance where the registered status of a pooled registered pension plan becomes revocable by the Minister of National Revenue.

Under new subsection 147.5(4), a PRPP becomes a revocable plan if it fails to pay out the required minimum amount from a member’s account for the year, determined as if the member’s account were an account under a money purchase provision of a registered pension plan (RPP). That is, a PRPP that

provides “variable benefits” is effectively required to pay out the same minimum amount to plan members who have attained 71 years of age as it would be if it were a defined contribution RPP that provided variable benefits.

ITA
147.5(5)

New subsection 147.5(5) of the Act specifies the types of benefits that may be provided by a PRPP. In general terms, the only types of benefits that can be provided directly through a PRPP are “variable benefits” (as described in paragraph 8506(1)(e.1) of the Regulations, as if the benefits were being provided under the money purchase provision of an RPP) or the payment of a “single amount” (as defined in new subsection 147.5(1)).

ITA
147.5(6)

New subsection 147.5(6) of the Act allows the Minister of National Revenue to impose additional conditions on PRPPs in general, a class of PRPPs (for example, designated pooled pension plans) or a particular PRPP. This provision is equivalent to subsection 147.1(5), which provides the Minister with essentially the same power in relation to RPPs.

ITA
147.5(7)

New subsection 147.5(7) of the Act provides that in order for an amendment to a PRPP to be accepted by the Minister of National Revenue, an application must be made in prescribed manner by the administrator and both the amendment and the PRPP as amended must comply with the registration conditions in subsection 147.5(2).

ITA
147.5(8)

New subsection 147.5(8) of the Act creates a tax exemption for income earned by a PRPP. This exemption is subject to an exception in relation to businesses carried on by a PRPP. A PRPP that carries on a business is subject to tax on its income from that business and, for this purpose, paragraphs (a) and (b) provide special rules for calculating that income. In particular, paragraph (a) requires that gains and losses from the disposition of property held in the business be reported on income account, and paragraph (b) prevents the PRPP from using trust rules to allocate amounts to plan members.

ITA
147.5(9)

New subsection 147.5(9) of the Act requires that the administrator of a PRPP exercise the care, diligence and skill of a reasonably prudent person to minimize the possibility that the registration of the plan maybe be revoked by the Minister of National Revenue. If the administrator fails to comply with this obligation, the administrator will be subject to a penalty under subsection 162(7) of \$25 for each day that the failure continues (subject to a \$100 minimum and a \$2,500 maximum).

ITA
147.5(10)

New subsection 147.5(10) of the Act provides a deduction to an employer for its contributions to a PRPP in respect of its employees (or former employees). An employer contribution to a PRPP is deductible in computing the employer's income for a taxation year if the contribution is made in the year or within 120 days after the end of the year in respect of periods before the end of the year, is made in accordance with PRPP as registered, and was not deducted by the employer in computing its income for a previous year.

For further information, please see the related commentary on new paragraph 147.5(3)(b), which limits an employer's annual contribution in respect of each plan member to the RRSP dollar limit for the year (as defined in subsection 146(1)), except as otherwise directed by a member.

ITA
147.5(11)

New subsection 147.5(11) of the Act deems an individual's contributions to the individual's account under a PRPP to be a premium paid to an RRSP of the individual for various purposes of the Act. Specifically, as a result of this new deeming provision:

- Paragraph 60(j) will permit an individual to claim a deduction for amounts transferred to an account of the individual under a PRPP, where the amount is a lump sum payment out of an unregistered pension plan (attributable to services rendered by the individual or individual's spouse while a non-resident) and the amount was included in the individual's income under subparagraph 56(1)(a)(i).
- Paragraph 60(j.1) will provide a deduction, up to the limit specified under that paragraph, for the portion of a retiring allowance received by an individual that is contributed to a PRPP.
- Paragraph 60(l) will permit a qualified individual to claim a deduction for a specified portion of income received from retirement savings vehicles that are contributed to the individual's PRPP account. Note, however, that new subsections 147.5(20) and (21) allow a tax-deferred rollover for "qualifying survivors" without recourse to paragraph 60(l) deductions.
- References in section 146 to "premiums paid" are deemed to include contributions made to a PRPP. For example, subsections 146(5) and (5.1) will permit an individual to claim a deduction for contributions made to the individual's PRPP account.
- Pursuant to paragraphs 146.01(3)(a) and 146.02(3)(a), it will be possible to designate payments to a PRPP as repayments of amounts withdrawn under the Home Buyers' Plan or the Lifelong Learning Plan, subject to the conditions specified in those paragraphs, and if the PRPP permits such payments.
- For the purposes of applying the Part X.1 tax on non-deductible contributions to RRSPs, a PRPP member's contributions to his or her account are deemed to be contributions made to an RRSP. For further information, see the related commentary on section 204.02, which describes the application of Part X.1 to employer contributions made to PRPPs. For further information on the

rules applicable to employer contributions to a PRPP member's account, please also see the commentary on paragraphs 6(1)(a), 20(1)(q), and 147.5(2)(g) and (3)(c).

- It will be possible for the Part X.5 tax on “accumulated income payments” from registered education savings plans to be reduced to the extent that the recipient of such a payment makes a deductible contribution to a PRPP for the year in which the payment is received.

ITA

147.5(12)

New subsection 147.5(12) of the Act deems an individual's account under a PRPP to be an RRSP under which the individual is the annuitant for various purposes of the Act and the *Income Tax Regulations*. As a result of this new deeming provision:

- Paragraph 18(1)(u) will prohibit an individual from claiming deductions for expenses related to services (e.g., administration services) provided in relation to the individual's account under a PRPP.
- An individual's benefit entitlement under a PRPP will be an “excluded right or interest” as defined in subsection 128.1(10) and therefore will be exempted from the deemed disposition rules that otherwise apply under section 128.1 when an individual immigrates to or emigrates from Canada.
- An amount transferred from a PRPP to an RRSP will be an “excluded premium” under subsections 146.01(1) and 146.02(1) that does not qualify as a repayment under the Home Buyers' Plan rules or Lifelong Learning Plan rules.
- Paragraph 146(8.2)(b) will provide an offsetting deduction where an individual withdraws a taxable amount from a PRPP that relates to the individual's non-deductible over-contributions to the individual's PRPP account.
- If over-contributions to a PRPP are subsequently withdrawn and deducted under subsection 146(8.2), those contributions, as a consequence of subsection 146(8.21), will be subsequently disregarded for the purposes of the attribution rules in subsections 146(8.3) and 146.3(5.1).
- Paragraphs 146(16)(a) and (b), subsections 146.3(14) and 147(19) and section 147.3 will permit direct transfers of amounts to a PRPP from any of an RRSP, a RRIF, a deferred profit sharing plan or an RPP.
- Under Parts LXXXIII and LXXXV of the *Income Tax Regulations*, transfers to and from an RRSP will be deemed to include transfers to and from a PRPP. For example, for purposes of past service pension adjustment regulations, a transfer to a PRPP would be taken into account in determining an “excess money purchase transfer” under subsection 8303(7.1) of the Regulations or a “money purchase transfer” under paragraph 8304(5.1)(g) of the Regulations.

ITA
147.5(13)

New subsection 147.5(13) of the Act is the general rule that requires amounts distributed out of a member's account under a PRPP to be included in computing the member's income for the year of the distribution. Subsection 147.5(13) does not apply in respect of amounts distributed after the death of a member or amounts described in subsection 147.5(21), the rule that specifies the tax consequences of transfers described in subsection 147.5(20).

In cases where new subsection 147.5(15) applies, the surviving spouse or common-law partner (*i.e.*, the successor member) effectively becomes the new member and takes over the deceased member's rights in relation to the PRPP account. Amounts received by the successor member after the death of the original member are included in the successor member's income under subsection 147.5(13). For further information regarding subsection 147.5(15), please see the commentary on new subsections 147.5(14) to (19).

Subsection 147.5(14) applies in cases where there is no successor member and, subject to new subsection 147.5(16), deems a distribution to have occurred from the PRPP account *immediately before* the member's death. In other words, even though subsection 147.5(13) only applies to amounts distributed before death, this deeming rule can cause an amount to be included in the deceased member's income. The result of the interaction of these rules in the context of the death of a PRPP member is that an income inclusion for the terminal year of a PRPP member will only occur to the extent that there is neither a successor member nor a transfer of PRPP property to a "qualifying survivor" under subsection 147.5(16) and in respect of amounts up to the fair market value of the PRPP account on death.

For further information, please see the commentary on those provisions below.

ITA
147.5(14) to (19)

New subsections 147.5(14) to (19) of the Act provide rules that will apply on the death of a PRPP member. New subsections 147.5(20) to (22), which govern PRPP transfers, are also relevant in some situations involving the death of a PRPP member. In general terms, the tax results contemplated under the proposed rules are similar to those that apply under the existing RRSP/RRIF rules.

Death without a successor member

ITA
147.5(14)

When a member of a PRPP dies, new subsection 147.5(14) of the Act provides that all the property held in the member's account is deemed to have been distributed immediately before the death. Since distributions from a member's account are included in the member's income under subsection 147.5(13), the effect of this rule is to include the value of the deceased member's account in income for his or her last taxation year (unless the exception in subsection 147.5(16) with respect to a "qualifying survivor" applies). For further information, please see the commentary on the definition "qualifying survivor" in subsection 147.5(1) and on subsections 147.5(15) to (19).

PRPP account succession of property rules

ITA

147.5(15) and (16)

In order to provide flexibility without creating unintended tax outcomes, a number of rules are included. One of the basic objectives is to have relatively simple rules applicable to a large number of common situations. For example, two methods are provided for leaving PRPP assets to a surviving spouse on the death of a PRPP member.

Surviving spouse or common-law partner

If a surviving spouse or common-law partner acquires all of the deceased member's rights under the PRPP as "successor member", new subsection 147.5(15) of the Act will apply and none of the other succession rules are applicable. If, instead, a surviving spouse or common-law partner is not a successor member, new subsection 147.5(16) applies. Under subsection 147.5(16), a PRPP distribution to a "qualifying survivor" (which includes a spouse or common-law partner) is included in the qualifying survivor's income, except to the extent that the distribution is transferred in accordance with new subsections 147.5(20) and (21). These provisions provide a number of options for surviving spouses and common-law partners, including transferring the distribution to another PRPP account or to an RRSP. For more information regarding tax-deferred transfers, please see the commentary on subsections 147.5(20) to (22).

Other "qualifying survivor" – financially-dependent child or grandchild

In addition to surviving spouses or common-law partners, the other category of "qualifying survivor" is a financially-dependent child or grandchild. A distribution from a deceased's member's PRPP to a financially-dependent child or grandchild is generally included in the child or grandchild's income under new subsection 147.5(16). If the child or grandchild is financially dependent due to infirmity then, as is the case for surviving spouses or common-law partners, a tax-deferred transfer may be available under new subsections 147.5(20) and (21).

Infirm financially-dependent child or grandchild; child under age 18

Amendments to paragraph 60(*l*) and to subsection 60.02(1) permit deductions in computing income in relation to transfers in certain circumstances. For further information, please see the commentary on those amended provisions.

Post-death increase or decrease in value

ITA

147.5(17) to (19)

As a consequence of the rules described above, most amounts distributed from the account of a deceased PRPP member will either be included in the income of the deceased member or a qualifying survivor, or will benefit from a tax-deferred transfer. New subsection 147.5(17) of the Act creates an income inclusion in the hands of the recipient of a distribution for amounts that have not been included in the income of any taxpayer under another rule and that have not been transferred in accordance with new subsections 147.5(20) to (22).

The amount of the income inclusion is determined by the formula $A - B$. Variable A is the amount being distributed from the account under the PRPP to the taxpayer. Variable B, which will in many cases reduce the income inclusion to nil, is the amount designated by the administrator in relation to the distribution. The amount designated by the administrator cannot exceed the lesser of two amounts. The first amount is the amount being distributed. The second amount is the amount by which the fair market value of all property held in the account immediately before death exceeds the total amounts designated for variable B in relation to all other distributions.

For example, assume that a PRPP member, Dave, directs by will that the first \$100,000 of his PRPP account should be transferred to his wife, Emily, on his death. The remainder is left to his sister, Joanne. When Dave dies, his PRPP account has a fair market value of \$150,000. As described above, \$100,000 will be included in Emily's income under subsection 147.5(16), except to the extent that she transfers it in accordance with subsections 147.5(20) to (22). The remaining \$50,000 will be included in Dave's income for his last taxation year. However, there are some delays in relation to the estate administration and by the time Dave's executor is ready to direct a distribution of the remainder of the account to Joanne, the remaining assets in the account are worth \$62,000. The administrator applies the formula in subsection 147.5(17) as follows:

- On the first distribution (*i.e.*, the distribution to Emily), variable A is \$100,000 – the amount distributed. Variable B is also \$100,000, because the amount distributed was less than the fair market value of the plan at Dave's death, and there are no other distributions to account for under paragraph (b) of variable B.
- On the second distribution (*i.e.*, the distribution to Joanne), variable A is \$62,000 – the amount distributed. Variable B is \$150,000 minus the total of all amounts included in variable B in relation to all other distributions. Therefore, variable B is \$150,000 minus \$100,000 (the amount of variable B in relation to the distribution to Emily) or \$50,000.
- In respect of the distribution to Joanne, the administrator designates \$50,000 as the “tax-free” (*i.e.*, previously recognized) portion of the distribution and Joanne includes \$12,000 in her income for the year in which she receives the distribution, which represents the increase in value of the PRPP account after Dave's death.

Subsection 147.5(17) is worded in this way in order to ensure that it operates appropriately, even in situations of multiple distributions and fluctuating asset values. In the context of multiple distributions, the administrator of the PRPP is left with some flexibility to allocate tax consequences among beneficiaries of the estate. It is assumed that administrators will do so reasonably and in proportion to the various beneficiaries' interests in the estate.

A similar rule in new subsection 147.5(18) creates a deduction, available in computing the income of the deceased member, to the extent that the total amount distributed from the PRPP account, once the account is wound up, is less than the total amounts included in income or transferred under the other rules. New subsection 147.5(19) limits the availability of this deduction in circumstances where the last distribution occurs after the end of the year following the year in which the member dies. In those circumstances, the deduction is available only if it is approved by the Minister of National Revenue. These rules are very similar to existing subsections 146(8.92) and (8.93), which apply in respect of post-death RRSP losses.

ITA
147.5(20)

New subsection 147.5(20) of the Act provides conditions relating to the transfer of an amount from a PRPP member's account to certain other registered vehicles or for the purchase of a qualifying annuity. If those conditions are satisfied, subsection 147.5(20) allows the transfer to be made on a tax-deferred basis.

New paragraph 147.5(20)(a) requires that the amount be transferred in a "single amount", which is defined in subsection 147.5(1) as an amount that is not part of a series of periodic payments.

New paragraph 147.5(20)(b) sets out the individuals on whose behalf an amount from a member's account may be transferred:

- the member;
- a spouse or common-law partner or former spouse or common-law partner who is entitled to the amount as a result of a division of property after the breakdown of the marriage or common-law partnership;
- the spouse or common-law partner at the date of the member's death; or
- a child or grandchild of the member who was financially dependent on the member for support by reason of mental or physical infirmity.

New paragraph 147.5(20)(c) requires that the single amount from the PRPP account be transferred to the individual's account under a PRPP or RPP, to an RRSP or RRIF of the individual, or to a licensed annuities provider to acquire a "qualifying annuity" for the individual. For further information, please see the commentary on the definition "qualifying annuity" in subsection 147.5(1).

For information about rollovers to purchase a term annuity (to age 18) on behalf of a minor child who was financially dependent on a deceased PRPP member, please see the commentary on paragraph (60)(l).

ITA
147.5(21)

New subsection 147.5(21) of the Act provides for a tax-deferred transfer of an amount out of a PRPP if the transfer satisfies the conditions in subsection 147.5(20). Specifically, subsection 147.5(21) provides that such an amount transferred on behalf of an individual shall not be included in computing the individual's income and that no taxpayer may claim a deduction in respect of the amount.

ITA
147.5(22)

New subsection 147.5(22) of the Act governs the taxation of payments from a qualifying annuity acquired with funds transferred from a member's account under a PRPP in accordance with subsection 147.5(20). Any payments under the annuity contract are included in the recipient's income for the year in which they are received (there are no immediate tax consequences on the acquisition of the qualifying annuity). If the individual disposes of (*e.g.*, commutes) the annuity, the proceeds from that disposition of the annuity are included in the individual's income for the year of disposition.

For further information, please see the commentary on subsection 147.5(20) and on the definition "qualifying annuity" in subsection 147.5(1).

ITA
147.5(23)

New subsection 147.5(23) of the Act provides that, as a first step in revoking the registration of a PRPP, the Minister of National Revenue must notify the administrator of the PRRP in writing of the Minister's intent to revoke the plan's registration as of a specified date. A notice of intent may be given if the Minister has determined that:

- the plan does not comply with registration conditions specified in new subsection 147.5(2);
- the plan is not administered in accordance with the terms of the plan as registered by the Minister;
- the plan is a revocable plan, as determined by any of the conditions specified in new subsections 147.5(3) or (4);
- a condition that has been imposed on the plan by the Minister (see new subsection (147.5(6)) is not complied with; or
- registration of the plan under the *Pooled Registered Pension Plans Act* or a similar law of a province (that requires registration under that law) has been refused or revoked.

ITA
147.5(24)

New subsection 147.5(24) of the Act requires that a notice of intent to revoke the registration of a PRPP must specify the date on which the proposed revocation will be effective. That date cannot be earlier than the earliest date on which a condition described in any of paragraphs 147.5(23)(a) to (e) applies to the PRPP. Upon receipt of a notice of intent, the plan administrator or a participating employer may, under amended subsection 172(3), appeal to the Federal Court of Appeal. For further information, see the commentary on subsection 172(3).

ITA
147.5(25)

New subsection 147.5(25) of the Act provides that, after the Minister of National Revenue has given a notice of intent to revoke the registration of a PRPP (under subsections 147.5(23) and (24)), the Minister may give a notice that the registration of the PRPP is revoked as of a specified date. That date cannot be earlier than the date stated in the notice of intent. As well, a notice of revocation cannot be given until after 30 days after the notice of intent was given.

ITA
147.5(26)

Under new subsection 147.5(26) of the Act, the registration of a PRPP is revoked as of the date specified in the Minister of National Revenue's notice of revocation given under subsection 147.5(25) unless, upon an application made before the determination of an appeal, the Federal Court of Appeal or a judge of that Court orders otherwise.

ITA
147.5(27)

If a plan administrator applies for the revocation of the registration of a PRPP, new subsection 147.5(27) of the Act allows the Minister of National Revenue to revoke the registration of the PRPP. Where the application of this subsection is the reason for the revocation of the registration of a PRPP, the effective date of the revocation will not be earlier than the date specified in the administrator's request.

However, an administrator's voluntary request for revocation of registration does not prevent the Minister from giving a notice of intent to revoke the registration as of a date earlier than the date requested by the administrator if any of the conditions listed in subsection 147.5(23) are applicable at that earlier date. For further information, please see the commentary on subsections 147.5(23) to (26).

ITA
147.5(28)

New subsection 147.5(28) of the Act provides a rule, similar to existing rules that apply in the registered pension plan context (see, for example, subsection 8514(2.1) of the *Income Tax Regulations*), that specify that all related employers – as well as various structural units of a trade union – are deemed to be a single employer for the purposes of the definition “designated pooled pension plan” in subsection 147.5(1).

ITA
147.5(29)

New subsection 147.5(29) of the Act provides the meaning of “significant interest”, which is relevant in determining whether an investment is a restricted investment for a pooled pension plan. A member has a significant interest in a corporation if the member is a “specified shareholder” (within the meaning assigned by subsection 248(1)). A member has a significant interest in a partnership or trust if the member is a “specified unitholder” (within the meaning assigned to that term in the new definition added to subsection 248(1)) or if the member's interest in the partnership or trust is worth more than 10% of the total fair market value of all the interests in the partnership or trust.

ITA
147.5(30)

New subsection 147.5(30) of the Act provides a regulation-making power to the Governor in Council. In particular, it authorizes regulations:

- prescribing conditions applicable to plan administrators;
- requiring information returns;
- allowing the Minister to require any person to provide information for the purpose of administering the provisions relating to PRPPs; and
- generally to carry out the purposes and provisions of the Act relating to PRPPs and the determination and reporting of specified amounts.

Clause 13**Exemption for PRPP trust**

ITA
149(1)

Section 149 of the Act provides that no tax is payable under Part I on the taxable income of certain persons for the period in a taxation year during which the person is a person listed in that section.

New paragraph 149(1)(u.3) is added to provide such an exemption for a trust governed by a PRPP, to the extent provided under new section 147.5 (*i.e.*, the rules applicable to PRPPs). For further information, please see the commentary on new subsection 147.5(8). That subsection sets out the conditions under which no tax is payable by a trust governed by a PRPP.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Clause 14**Reassessment where certain deductions claimed**

ITA
152(6)(f.3)

In general terms, subsection 152(6) of the Act provides for the reassessment of tax payable for a taxation year if a deduction or credit is being claimed as the result of a carry back from a later taxation year. Paragraph 152(6)(f.3) provides for the reassessment of taxpayer returns where deductions are claimed under subsections 146(8.92) or 146.3(6.3) in respect of post-death registered retirement savings plan (RRSP) and registered retirement income fund (RRIF) losses. Paragraph 152(6)(f.3) also provides for reassessments in circumstances where subsections 146(8.9) or 146.3(6.2) apply to reduce the income otherwise deemed to be included in the income of a deceased RRSP or RRIF annuitant.

Paragraph 152(6)(f.3) is amended to provide for the reassessment of taxpayer returns if an amount claimed under new subsections 147.5(14) or 147.5(18) reduces an income inclusion in respect of a deceased member of a pooled registered pension plan (PRPP). For example, the amount required to be included in income as a result of a deemed distribution under subsection 147.5(14) may be reduced by a subsequent transfer to a qualifying survivor to which new subsection 147.5(16) applies. Depending on the circumstances, it may be necessary to rely on paragraph 152(6)(f.3) to reduce or eliminate the income inclusion on the deceased member's return to reflect the payment to a qualifying survivor.

For further information regarding PRPPs, please see the commentary on new section 147.5.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Clause 15**Appeal from refusal to register**

ITA
172(3)

Subsection 172(3) of the Act provides for appeals to the Federal Court of Appeal where there are disputes regarding the status of certain organizations or plans.

New paragraphs 172(3)(h) and (i) are added to permit appeals where the Minister of National Revenue refuses to register a pooled pension plan, gives a notice of intent to revoke the registration of a pooled registered pension plan (PRPP) or refuses to accept an amendment to a PRPP.

The closing words of subsection 172(3) are amended to provide that an appeal under paragraph 172(3)(h) or (i) may be made by the administrator of the pooled pension plan or PRPP.

ITA
172(5)

Subsection 172(5) of the Act provides that where an application is made for the registration of a pension plan, or for the acceptance of an amendment to a registered pension plan, the Minister of National Revenue will be considered to have refused the application if the applicant has not been notified of the Minister's decision within one year of the application. This rule enables the applicant to institute an appeal to the Federal Court of Appeal under subsection 172(3) where the Minister does not make a decision with respect to an application within one year.

Paragraph 172(5)(a) is amended to add a reference to pooled pension plans and paragraph (b) is amended to add a reference to PRPPs. As a result, if the Minister has not made a decision with respect to an application for registration of a pooled pension or an application for an amendment to a PRPP within one year of the application, the administrator of the pooled pension plan or PRPP will have the right to appeal to the Federal Court of Appeal.

For further information regarding PRPPs, please see the commentary on new section 147.5.

These amendments will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Clause 16**Appeal to Federal Court of Appeal**

ITA
180(1)

Subsection 180(1) of the Act provides that an appeal to the Federal Court of Appeal under subsection 172(3) may not be filed after 30 days from the time that notice of the Minister of National Revenue's decision was mailed, unless this time limit is extended by the Court.

Subsection 180(1) is amended consequential on the amendments to subsection 172(3) pertaining to pooled registered pension plans (PRPPs). New paragraph 180(1)(c.2) is added to provide that an appeal of the revocation of registration of a PRPP may not be made after 30 days from the date on which the Minister mailed the notice of intent to revoke the registration. As well, paragraph 180(1)(d) is amended to add a reference to PRPPs. As a result, an appeal of the Minister's decision to refuse an amendment to a PRPP may not be made after 30 days from the date on which the Minister communicated the decision.

For further information, please see the commentary on new section 147.5 and on the amendments to subsection 172(3).

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Clause 17

Over-contributions to RRSP or PRPP

ITA
204.2

Part X.1 of the Act imposes a penalty tax in respect of excess contributions made to registered retirement savings plans (RRSPs). The amount of tax payable in respect of any month is 1% of an individual's cumulative excess amount at the end of that month.

As a consequence of the introduction of pooled registered pension plans (PRPPs), an individual's unused RRSP deduction room (see subsection 146(1)) and deductible RRSP premiums (see subsection 146(5)) will be reduced each year by contributions to a PRPP made by the individual or by the individual's employer to an account of the individual under a PRPP. Accordingly, consequential amendments are being made to section 204.2 to ensure that non-discretionary contributions to a PRPP in respect of an individual will not be included in the individual's cumulative excess amount and will not be subject to the monthly 1% tax under subsection 204.1(2.1).

The amendments to section 204.2 do not expressly add references to the contributions that an individual member makes to a PRPP. However, for the purposes of various sections of the Act including section 146 (RRSPs) and Part X.1, new subsection 147.5(11) deems an individual's contributions to his or her account under a PRPP to be premiums paid to an RRSP of the individual.

For further information, please see the commentary on new section 147.5, and on the amendments to the definition "unused RRSP deduction room" in subsection 146(1) and to subsection 146(5).

These amendments will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

ITA
204.2(1.1)

Subsection 204.2(1.1) of the Act defines an individual's cumulative excess amount at the end of any month in a year to be the excess of the individual's undeducted RRSP premiums at that time over the amount determined by the formula in paragraph 204.2(1.1)(b). Generally, the amount determined by the

formula includes the amount of RRSP deduction room available to the individual for the year *plus* a margin of \$2,000 *plus* a “group RRSP amount” (variable D) in respect of the individual.

Subsection 204.2(1.1) is amended to replace the term “group RRSP amount” in variable D with the term “group plan amount”, consequential on related amendments to section 204.2 that ensure non-discretionary contributions to a PRPP in respect of an individual will not be included in the individual’s “cumulative excess amount” and will not be subject to Part X.1 tax.

ITA
204.2(1.2)

Subsection 204.2(1.2) of the Act provides rules for determining the amount of an individual’s undeducted RRSP premiums at any time. This amount is used in computing the individual’s cumulative excess amount in respect of RRSPs under subsection 204.2(1.1). As a consequence of new PRPP rules in section 147.5 and related amendments to section 146 (RRSP rules), variables I and J in the formula $H + I - J$ in subsection 204.2(1.2) are amended to take into account contributions made by an individual’s employer to the individual’s PRPP account and withdrawals from the PRPP account, in the year and before the time of the determination.

Subparagraph (a)(iii) of variable I in subsection 204.2(1.2) is amended to add transfers from a PRPP to an RRSP to the list of transfers that are not considered for purposes of the Part X.1 tax to be premiums paid to an RRSP. Variable I is also amended to add a new paragraph (c) to include in an individual’s undeducted RRSP premiums any amounts contributed in the year and before the time of the determination to the individual’s PRPP account by an employer or former employer. However, as a result of the amendments to subsection 204.2(1.1) and 204.2(1.3), non-discretionary contributions to a PRPP in respect of an individual will not be included in the individual’s cumulative excess amount and will not be subject to Part X.1 tax.

Paragraph (a) of variable J in subsection 204.2(1.2) is amended to subtract from undeducted RRSP premiums any amounts that are withdrawn from the individual’s PRPP account in the year and before the time of the determination and that are included in computing the individual’s income for the year.

Although subsection 204.2(1.2) will not expressly refer to an individual’s contributions to a PRPP, new subsection 147.5(11) deems an individual’s contributions to his or her PRPP account to be premiums paid to an RRSP of the individual. As a result, an individual’s PRPP contributions in a year are included in computing the individual’s undeducted RRSP premiums under subsection 204.2(1.2).

ITA
204.2(1.3)

Subsection 204.2(1.3) of the Act provides rules for determining the “group RRSP amount” of an individual for the purposes of paragraph 204.2(1.1)(b). An individual’s group RRSP amount for a year is the amount that is needed to ensure that Part X.1 tax does not apply in that year to certain non-discretionary group RRSP contributions made in the year.

Subsection 204.2(1.3) is amended to replace the term “group RRSP amount” (in the preamble and in variable K) with “group plan amount” and to replace the term “qualifying group RRSP premium paid by an individual” in variable F with “qualifying group plan amount in respect of an individual”. This amendment is consequential to related amendments to section 204.2 that ensure non-discretionary

contributions to a PRPP in respect of an individual will not be included in the individual's cumulative excess amount and will not be subject to Part X.1 tax.

ITA
204.2(1.31)

Subsection 204.2(1.31) of the Act defines “qualifying group RRSP premium”, which is relevant in determining an individual's group RRSP amount under amended subsection 204.2(1.3). A qualifying group RRSP premium of an individual is the non-elective portion of an RRSP contribution made to an RRSP that is part of a “qualifying arrangement” (as defined in subsection 204.2(1.32)) and that was remitted to the RRSP on behalf of the individual by a person who is required to remunerate the individual for services rendered. It does not include the discretionary portion of an individual's RRSP contribution, that is, the portion the individual could have prevented from being paid to the RRSP, by making an election or exercising any other right under the arrangement (or by failing to do one of these things) after starting to participate in the arrangement and within 12 months preceding the payment. However, the elective portion does not include any amount that, had it not been paid to the RRSP, would have been required to be remitted on behalf of the individual to another RRSP or to a money purchase provision of a registered pension plan.

Subsection 204.2(1.31) is amended to replace the term “qualifying group RRSP premium paid by an individual” with “qualifying group plan amount in respect of an individual” (consequential on a similar amendment to subsection 204.2(1.3)) and to include in that amount, in addition to premiums paid to the an RRSP of the individual, amounts contributed by the individual's employer or former employer to the individual's PRPP account. New subsection 147.5(11) deems an individual's contributions to the individual's account under a PRPP to be a premiums paid to an RRSP of the individual.

Subsection 204.2(1.31) is further amended so that (in addition to discretionary RRSP contributions) discretionary employer contributions to an individual's PRPP account are not included in the definition of “qualifying group plan amount”.

For further information, please see the commentary on new subsection 147.5(11) and on amendments to the definition “unused RRSP deduction room” in subsection 146(1) and to subsection 146(5).

ITA
204.2(5)

New subsection 204.2(5) of the Act provides an express right for a member of a PRPP to withdraw an amount (*e.g.*, an overcontribution) from his or her PRPP account, notwithstanding any locking-in provisions contained in pension standards legislation applicable to PRPPs, if the withdrawal is made to reduce the tax that would otherwise be payable under Part X.1. This right is provided only to the extent the member cannot otherwise withdraw funds from plans other than PRPPs (*e.g.*, from non-locked-in RRSPs) to achieve the reduction in tax.

Clause 18**Tax on Canadian income of non-resident**

ITA

212(1)(h)

Section 212 of the Act imposes a tax, commonly referred to as a “non-resident withholding tax”, on certain payments made by residents of Canada to non-residents. Paragraph 212(1)(h) includes superannuation or pension benefits paid to non-residents as payments subject to the withholding tax. An amendment to the definition “superannuation or pension benefit” in subsection 248(1) will clarify that benefits paid from pooled registered pension plans (PRPPs) are generally superannuation or pension benefits for the purposes of the Act. Paragraph 212(1)(h) also lists in subparagraphs (iii) to (iv.1) a number of exclusions from the application of the withholding tax. Paragraph 212(1)(h) is amended in two respects as a consequence of the introduction of PRPPs.

Firstly, new subparagraph 212(1)(h)(ii) is added to exclude from withholding tax the portion of a PRPP payment to a non-resident person that has been designated by the PRPP administrator in accordance with new subsection 147.5(17). In effect, this allows PRPP payments that have already been included in the income of a taxpayer under the PRPP succession rules to be paid free of withholding tax.

Existing subparagraph 212(1)(h)(iii.1) exempts from withholding tax a payment that is transferred directly to a registered pension plan, registered retirement savings plan or registered retirement income fund for the benefit of the non-resident person if the transfer is made pursuant to an authorization in prescribed form. Subparagraph 212(1)(h)(iii.1) is amended to provide that a non-resident will be entitled to similarly transfer pension benefits (including PRPP benefits) to a PRPP free of withholding tax where the transferred amount would not be included in computing the individual’s income for the taxation year by virtue of new subsection 147.5(21) if the individual were resident in Canada throughout the year.

For further information regarding PRPPs, please see the commentary on new section 147.5.

These amendments will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Clause 19**Provision of information**

ITA

241(4)(d)(vii)

Section 241 of the Act prohibits officials and other persons from using or communicating taxpayer information obtained under the Act unless they are specifically authorized to do so by one of the exceptions found in that section. Subparagraph 241(4)(d)(vii) authorizes the communication of taxpayer information to federal officials responsible for administering the *Pension Benefits Standards Act, 1985* and to provincial officials responsible for administering similar provincial legislation. The subparagraph is amended, consequential on the introduction of new section 147.5 pertaining to pooled registered pension plans (PRPPs), to authorize the communication of taxpayer information to federal officials and provincial officials responsible for administering the *Pooled Registered Pension Plans Act* or similar provincial legislation.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

ITA
241(10)

Subsection 241(10) of the Act includes the definition “official” for the purposes of section 241. The definition is amended, consequential on the introduction of new section 147.5 of the Act pertaining to PRPPs, to include a person employed in the service of a provincial authority engaged in administering a provincial law similar to the *Pooled Registered Pension Plans Act*. This amendment is relevant for the application of subparagraph 241(4)(d)(vii), which allows certain information to be communicated to a provincial official for the purpose of administering provincial PRPP legislation.

For further information regarding PRPPs, please see the commentary on section 147.5.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Clause 20

Interpretation

ITA
248(1)

Subsection 248(1) of the Act defines various terms that apply for the purposes of the Act. Several amendments to the subsection are made, consequential on the introduction of the tax rules applicable to pooled registered pension plans (PRPPs). For further information, please see the commentary on section 147.5.

These amendments will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

“pooled registered pension plan” or “PRPP”

A new definition “pooled registered pension plan” or “PRPP” is added to subsection 248(1) of the Act. It is introduced consequential on the rules in new section 147.5 relating to PRPPs. For all purposes of the Act, a PRPP is defined to have the same meaning assigned by the definition “PRPP” in new subsection 147.5(1). For further information, see the commentary on the definition “pooled registered pension plan” in subsection 147.5(1).

“registered pension plan”

A “registered pension plan” is defined to be a pension plan registered by the Minister of National Revenue for the purposes of the Act, if such registration has not been revoked.

The definition is amended to exclude PRPPs. Under new section 147.5, PRPPs are subject to separate rules and registration requirements. For further information, please see the commentary on section 147.5.

“retirement compensation arrangement”

A “retirement compensation arrangement” (RCA) is a plan or arrangement under which an employer makes payments to another person, called a custodian, so that benefits may be paid to an employee or any other person after the employee retires or otherwise severs his or her employment with the employer. In the absence of this definition, such arrangements would ordinarily be employee benefit plans. Various registered plans and other specified plans and arrangements are specifically excluded from the definition of an RCA by its paragraphs (a) to (n).

A new paragraph (a.1) is added to the definition to exclude a PRPP from being an RCA.

“salary deferral arrangement”

A “salary deferral arrangement” is generally defined as a plan or arrangement one of the main purposes of which is to permit a taxpayer to postpone tax in a taxation year in respect of salary or wages, the receipt of which has been deferred to a subsequent year. A number of plans or arrangements are expressly excluded from the definition, including registered pension plans, profit sharing plans and group sickness or accident insurance plans.

A new paragraph (a.1) is added to the definition to exclude a PRPP from being a salary deferral arrangement.

“specified unitholder”

A new definition “specified unitholder” is added to subsection 248(1) of the Act, consequential on the rules in new section 147.5 for PRPPs. Under new paragraph 147.5(3)(e), a PRPP becomes a revocable plan if at any time the PRPP holds property that the administrator knew or ought to have known is a “restricted investment” as defined in subsection 147.5(1). Whether an investment in any particular trust or partnership is a restricted investment will generally depend on whether a PRPP member holds a “significant interest” (under subsection 147.5(29)) in the trust or partnership. In this regard, the new definition “specified unitholder” is relevant.

A “specified unitholder”, in relation to a partnership or trust the interests in which are described by units, is generally defined to be a taxpayer who would be a specified shareholder (as defined in subsection 248(1)) if the partnership or trust were a corporation and the unit held by the taxpayer in the trust or partnership was a share in that corporation with the same attributes as the unit (e.g., the conditions attached to the unit are the same conditions that are attached to the notional share for the purposes of determining whether the taxpayer is a specified unitholder).

“superannuation or pension benefit”

The definition “superannuation or pension benefit” generally includes any amount received out of or under a superannuation or pension fund or plan. The definition is amended, consequential on the introduction of new subsection 147.5 of the Act pertaining to PRPPs, to include an amount received from a PRPP, other than for the purposes of subparagraph 56(1)(a)(i). Under new paragraph 56(1)(z.3), amounts received by a taxpayer from a PRPP will be included in the taxpayer’s income to the extent required under section 147.5.

For further information, please see the commentary on paragraph 56(1)(z.3) and section 147.5 relating to the taxation of amounts paid out of PRPPs.

Clause 21**Investments in limited partnerships**ITA
253.1

Section 253.1 of the Act applies for the purposes of specified provisions of the Act and *Income Tax Regulations* where a trust or corporation holds an interest as a limited partner in a limited partnership. It provides that the trust or corporation will not, solely because of its acquisition and holding of the limited partnership interest, be considered to carry on any business or other activity of the partnership.

Section 253.1 is amended so that it also applies for the purposes of new subsection 147.5(8). That subsection provides that a trust governed by a PRPP is generally not subject to tax under Part I of the Act, except to the extent that it carries on a business. The amendment ensures that a PRPP trust will not, solely because of the acquisition and holding of an interest in a limited partnership, be considered to carry on a business carried on by the partnership.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Clause 22**Proportional holdings in trust property**ITA
259(5)

“specified taxpayer”

Subsection 259(1) of the Act provides a “look-through” rule that applies to “specified taxpayers” that acquire units of a “qualified trust”. If the qualified trust so elects, each taxpayer is deemed to acquire, hold and dispose of its proportionate interest in the underlying assets of the qualified trust. This rule may allow a specified taxpayer to reduce or eliminate the tax penalties that result from holding certain investments. Subsection 259(5) defines “specified taxpayer” to include trusts governed by a registered retirement savings plans, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts.

The definition “specified taxpayer” is amended to add a reference to new paragraph 149(1)(u.3) to include pooled registered pension plans in the list of specified taxpayers.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Income Tax Regulations

Clause 23

Tax deductions – definitions

ITR

100(1)

“remuneration”

Part I of the *Income Tax Regulations* (the “Regulations”) provides rules concerning deductions at source that must be withheld on specified amounts of “remuneration” paid to a taxpayer. Paragraph (b) of the definition “remuneration” in subsection 100(1) of the Regulations includes a payment to a taxpayer of a superannuation or pension benefit.

Paragraph (b) of the definition “remuneration” in subsection 100(1) of the Regulations is amended to provide an exemption from withholding tax for any amount distributed from a pooled registered pension plan (PRPP) that is not required to be included in the taxpayer’s income under new paragraph 56(1)(z.3) of the Act or that is deemed to have been distributed to a deceased PRPP member by reason of new subsection 147.5(14) of the Act.

For further information regarding PRPPs, please see the commentary on new section 147.5.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Clause 24

Information returns – PRPPs

ITR

213

New section 213 of the Regulations is added, consequential on the introduction of new section 147.5 of the Act pertaining to pooled registered pension plans (PRPPs), to require the administrator of a PRPP to file an information return with the Minister of National Revenue in respect of the PRPP. The return for each calendar year must be filed in prescribed form on or before May 1 of the following year.

For further information regarding PRPPs, please see the commentary on new section 147.5.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Clause 25**Pension investment corporations and trusts**

ITR
4802(1)

Paragraph 149(1)(o.2) of the Act exempts from tax certain types of corporations involved with pension fund administration and investments if all the shares and rights to acquire shares of the corporation are owned by one or more registered pension plans or specified persons. Specified persons include persons prescribed persons under subsection 4802(1) of the Regulations.

New paragraph 4802(1)(c.3) adds pooled registered pension plans to be the list of prescribed persons.

ITR
4802(1.1)

Subsection 4802(1.1) of the Regulations sets out the conditions under which a trust is a “master trust” for the purposes of paragraph 149(1)(o.4) of the Act. Among other things, a master trust holds investments exclusively for beneficiaries that are registered pension plans or deferred profit sharing plans. The taxable income of a paragraph 149(1)(o.4) master trust is exempt from Part I tax pursuant to subsection 149(1) of the Act.

Subsection 4802(1.1) is amended to add pooled registered pension plans to the list of permitted beneficiaries of master trusts.

These amendments will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.

Clause 26**Registered pension plans**

ITR
8502(b)

Paragraph 8502(b) of the Regulations lists contributions that are permitted to be made to a registered pension plan (RPP). The list includes transfers from other registered plans in accordance with any of subsections 146(16) (from a registered retirement savings plan), 146.3(14.1) (from a registered retirement income fund), 147(19) (from a deferred profit sharing plan) and 147.3(1) to (8) of the Act (from an RPP).

Paragraph 8502(b) is amended to expand the list of permissible contributions to include transfers from a pooled registered pension plan (PRPP) made in accordance with new subsection 147.5(20) of the Act. Subsection 147.5(20) permits the direct transfer of an amount from a PRPP account, on behalf of an individual who is a PRPP member or surviving spouse or common-law partner, to an RPP for the benefit of the individual.

For further information regarding PRPPs, please see the commentary on section 147.5.

This amendment will come into force on the day of the coming into force of the *Pooled Registered Pension Plans Act*.