

2022

Tax and Investment

GUIDE

CANADA (except Quebec)

WHAT YOU NEED TO KNOW



**NATIONAL
BANK**

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1. Disclaimer

The information in this Guide is for informational purposes and should in no way be regarded as legal or tax advice. Clients should always consult their accountant or tax specialist before acting based on the information found in this Guide.

2. Introduction

This Guide has been prepared by National Bank of Canada ("NBC") to present the various tax slips and information reports you may receive from us. You will find information regarding government tax slips and associated summaries. This Guide is specifically intended for individuals residing in Canada. Canadians residing in Quebec should consult the Tax and Investment Guide 2022 (Quebec), which contains specificities regarding provincial taxation. This Guide does not apply to non-resident corporations, trusts, or individuals.

Please note that this document is not meant to be an exhaustive reference on how to report income, capital gains and losses. We strongly recommend that individuals consult their accountant or tax specialist to complete their tax return. This Guide is a summary covering Federal taxation. However, some provinces have specific requirements to be considered by individuals residing in those provinces.

3. Useful Links

Canada Revenue Agency (CRA):

- > [Website \(home page\)](#)
- > ["My Account" for Individuals](#)
- > [Income Tax Package](#)

4. Mailing Deadlines for Various Tax Slips

Below is a table of the various government tax slips and summaries you may potentially need to prepare your income tax return. Please note that these documents reflect the transactions and income recorded during the calendar year and some slips may not apply to your situation. Before completing your tax return, we ask you to ensure you have received all your slips. This will avoid having to file an amended tax return. Note that the various summaries can be used as tools in verifying your tax slips.


| Non-Registered | | |
|--|---|-------------------------------|
| Type of Income/Fees | Slip/Summary | Mailing Deadline ¹ |
| Dividends, interest, foreign income | T5 and <i>Investment Income Summary</i> ² | February 28, 2023 |
| Realized gains and losses | T5008 and <i>Securities Transactions Summary</i> ² | February 28, 2023 |
| Distributions from a trust | T3 and <i>Summary of Trust Income</i> ² | March 31, 2023 ³ |
| Registered Investments | | |
| Withdrawal from a registered investment account: | | |
| RRSP | T4RSP | February 28, 2023 |
| RRIF/LIF/LRIF | T4RIF | February 28, 2023 |
| RESP/RDSP | T4A | February 28, 2023 |

- 1 - Government-prescribed date.
- 2 - This summary is not government-prescribed, but National Bank Investments ("NBI") for NBC commits to issuing it at the specified date, if needed.
- 3 - The first time the T3 is issued, a "Summary of Upcoming Trust Units" may be sent to you. This summary will list trusts for which the issuers have not yet provided the tax information necessary for the filing of tax slips, and for which a tax slip will be sent later.

| RRSP Contributions | | |
|-----------------------|-----------------------|--|
| Time of Contribution | Contribution Deadline | Time of Reception |
| First 60 days of 2022 | March 1, 2022 | You should have received your contribution slip in March 2022. |
| Rest of the year 2022 | N/A | You should have received your contribution slip in January 2023. |
| First 60 days of 2023 | March 1, 2023 | You should receive your contribution slip in March 2023. |

5. T3 Slip – Statement of Trust Income (Allocations and Designations)

If you hold investments in income trusts (usually referred to as “mutual funds”), you will receive a T3 slip and a *Summary of Trust Income* specifying amounts and the nature of these distributions in your account.



Canada Revenue Agency
Agence du revenu du Canada

Statement of Trust Income Allocations and Designations - T3

| | | | | | | |
|-------------|--|---|--|--|------------------|--|
| YEAR | | 49 Actual amount of eligible dividends | 50 Taxable amount of eligible dividends | 51 Dividend tax credit for eligible dividends | 21 Capital gains | 30 Capital gains eligible for deduction |
| | | 23 Actual amount of dividends other than eligible dividends | 32 Taxable amount of dividends other than eligible dividends | 39 Dividend tax credit for dividends other than eligible dividends | 26 Other income | Trust year end Year <input type="text"/> Month <input type="text"/> |

| | | | | | |
|---|------------|---------------|------------|---------------|------------------|
| Other information (see the back) | Box | Amount | Box | Amount | Footnotes |
| | | | | | |
| | | | | | |

Recipient's name (last name first) and address


Trust's name and address

12 Recipient identification number

14 T Account number

16 Report code

18 Beneficiary code

• For information, see the back. 

The following example explains the income generated by the National Bank Funds distributions and where you must declare these on your income tax return.

The shareholder receives a distribution of \$500 from a fund, distributed as follows.

| | Amount |
|---|-----------------|
| Capital gains | \$60.00 |
| Dividend income | \$120.00 |
| Foreign non-business income (net amount*) | \$85.00 |
| Other income | \$185.00 |
| Capital return | \$50.00 |
| Total | \$500.00 |

*This is the gross amount of foreign non-business income, that is, \$100 less the foreign tax withholding of \$15.


On his/her income tax return, the shareholder must declare the amounts shown on the T3 slip by following the instructions in the table below:

| T3 Slip | Explanation of boxes | Declare this amount on your tax return | Declare at the indicated line on the federal income tax return |
|---------|--|--|---|
| Box 21 | Capital gains | \$60.00 | Line 174 of Schedule 3 – Capital Gains (Losses) |
| Box 23 | Actual amount of dividends | \$120.00 | Not declared |
| Box 25 | Foreign non-business income | \$100.00 | Part II of Schedule 4 – Statement of Investment Income |
| Box 26 | Other income | \$185.00 | Line 121, or Part II of Schedule 4 – Statement of Investment Income |
| Box 32 | Taxable amount of dividends (this amount is equal to 138% of the amount entered in box 23) | \$165.50 | Line 120, or Part I of Schedule 4 – Statement of Investment Income |
| Box 34 | Foreign tax paid on non-business income | \$15.00 | Line 431 of Schedule 1 – Federal Tax |
| Box 39 | Dividend tax credit (federal) (This amount is equal to 15.02% of the amount at box 32) | \$24.87 | Line 425 of Schedule 1 – Federal Tax |
| Box 42 | Capital return | \$50.00 | This amount is not declared on your income tax return |

5.1. Summary of Trust Income

The *Summary of Trust Income* is issued by NBI and provides detail by trust and nature of the distributions. This information allows you to reconcile your T3 slip from each trust.

HEALTH MANAGEMENT ASSOCIA
425 CH DE LA BUTTE
SEASIDE QC H8T 5Q5

For your account : 

| Product / Funds | Capital refund | Canadian interest | Canadian dividends | Foreign revenues | Capital gain |
|-----------------------------|----------------|-------------------|--------------------|------------------|-----------------|
| NBC204 PORT PRV OBLs CAN | 0.00 | 1,333.78 | 0.00 | 32.03 | 0.00 |
| NBC205 PORT PRV OBLs CORP | 0.00 | 882.65 | 0.00 | 50.10 | 0.00 |
| NBC208 PORT PRV ACT PRIVCAN | 0.00 | 9.37 | 251.91 | 4.89 | 0.00 |
| NBC224 PORT PRV ACTIONS CAN | 0.00 | 0.00 | 627.90 | 0.00 | 2,488.26 |
| NBC225 PORT PRV ACTCAN CONV | 0.00 | 0.00 | 793.43 | 0.00 | 0.00 |
| NBC234 PORT PRV ACT US \$C | 0.00 | 0.00 | 10.02 | 323.41 | 1,608.05 |
| NBC235 PORT PRV US CONV \$C | 0.00 | 0.00 | 0.00 | 161.37 | 0.00 |
| NBC236 PORT PRV ACT INTL | 0.00 | 0.00 | 0.00 | 184.84 | 0.00 |
| NBC238 Fd ÉME DIV BNI | 0.00 | 0.00 | 0.00 | 288.92 | 0.00 |
| NBC248 PORT PRV RF NON TRAD | 0.00 | 0.00 | 14.76 | 1,946.23 | 0.00 |
| NBC250 APPR CAPTL NON TRAD | 0.00 | 0.00 | 161.41 | 187.21 | 0.00 |
| NBC401 Dur act. Canadiennes | 0.00 | 0.00 | 126.08 | 0.00 | 0.00 |
| NBC403 Obls mndmt élevé | 0.00 | 0.00 | 0.00 | 194.88 | 0.00 |
| NBC406 Dur act. Mondiales | 0.00 | 0.00 | 0.00 | 26.55 | 0.00 |
| NBC436 Petit capitalisation | 0.00 | 0.00 | 274.08 | 0.00 | 0.00 |
| NBC448 ACT INTER SmartData | 0.00 | 0.00 | 0.00 | 818.78 | 0.00 |
| NBC499 REV ACTFS REEL MOND | 0.00 | 0.00 | 75.50 | 1,174.69 | 0.00 |
| TOTAL | 0.00 | 2,225.80 | 2,335.09 | 5,393.90 | 4,096.31 |

T3 - Reported trust income is reported annually to the Canada Revenue Agency. You must keep this form and wait until you have disposed of the funds to calculate the adjusted cost base as required by law.

5.2. FAQ – T3

> **Q.1.: Why did I receive my T3 slip so late in the month of April?**

A.1.: Trust companies must also file tax returns. Coordination between these filings and the issuance of slips is often the reason these companies wait until the prescribed limit (i.e., 90 days after year-end) before providing the issuers with the necessary data to produce T3 slip which in turn leads to filing delays.

> **Q.2.: Why did I receive amended T3 slip?**

A.2.: As previously mentioned, trust companies very tardily prepare the information related to their distributions to coordinate them with their own returns. Sometimes, corrections are required after the deadline that may, among other causes, result from adjustments or errors in their own tax returns.

> **Q.3.: I received a T3 slip from NBI. However, I do not find my T3 issued in NBI's name in the CRA's "My Account." Why?**

A.3.: T3 slip is issued by NBI, but on behalf of the different trusts. The income shown on the T3 slip you received will be displayed in the trust's name in the CRA's "My Account." You will not find a T3 slip in the name of NBI. To reconcile the trust information, set out in the CRA's "My Account," you must refer to the details provided in your *Summary of Trust Income*.

6. T5 Slip – Statement of Investment Income

The T5 is used to report dividend income, interest income, and foreign taxes paid on your investments held in a non-registered Account (Guaranteed Investment Certificates and daily accounts). Please note that the slip will not be issued if the total investment income is less than \$50, but you must still include this income in your tax return.

If you own National Bank mutual funds, you may also receive T5 slips to declare their dividend distributions and capital gains attributions.

| Agence du revenu du Canada / Canada Revenue Agency | | T5 État des revenus de placement | | 2021 | | Protégé B une fois rempli | |
|--|--|----------------------------------|---|-------|---|---------------------------|-------------------------------|
| Dividendes de sociétés canadiennes | | Crédit fédéral | | Année | | | |
| 24 | Montant réel des dividendes déterminés | 25 | Montant imposable des dividendes déterminés | 26 | Crédit d'impôt pour dividendes déterminés | 13 | Intérêts de source canadienne |
| 10 | Montant réel des dividendes autres que des dividendes déterminés | 11 | Montant imposable des dividendes autres que des dividendes déterminés | 12 | Crédit d'impôt pour dividendes autres que des dividendes déterminés | 21 | Code du feuillet |
| Autres renseignements (voir au dos) | | 14 | Case | 15 | Case | 16 | Case |
| | | | Montant | | Montant | | Montant |
| | | | 1166.59 | | 6776.72 | | 777.45 |
| 27 | USD | 28 | Succursale | 29 | Numéro de compte du bénéficiaire | 23 | |
| Nom, prénom et adresse du bénéficiaire | | Nom et adresse du payeur | | | | | |
| | | BNCD DIVISION DE FBN INC. | | | | | |
| | | 1100 BOUL ROBERT-BOURASSA | | | | | |
| | | 7E ETAGE | | | | | |
| | | MONTREAL, QUEBEC H3B 2G7 | | | | | |

T5(09/21) Consultez l'avis de confidentialité dans votre déclaration.

Pour le bénéficiaire: Conserver pour vos dossiers. Pour obtenir des renseignements, contactez le dossier.

6.1. Dividends from Taxable Canadian Corporations

To respect the principle of integration between a corporation and its shareholders, the dividends you receive from taxable Canadian corporations are subject to a gross-up and dividend tax credit. This principle is essential in taxation to ensure "tax neutrality." That is, any income earned by a corporation that has been distributed to you in the form of a dividend (net of corporate tax) should be subject to the same tax burden as if you had earned that income directly.

Essentially, the gross-up and dividend tax credit will vary depending on the type of dividend you received from a taxable Canadian corporation, i.e., "eligible dividends" or "dividends other than eligible dividends" (or non-eligible dividends). Essentially, the gross-up/tax credit results in "eligible dividends" being taxed at a lower rate than "dividends other than eligible dividends."

The determination of the type of dividend depends primarily on the corporate tax rate applicable to the income earned by the corporation. Generally, corporate income is subject to the "general tax rate" or a "lower small business tax rate." "Eligible dividends" (generally from Canadian public corporations) are paid on corporate income subject to the "general tax rate." "Dividends other than eligible dividends" (mostly from Canadian private corporations) are paid out of income subject to the "lower small business tax rate."

1 - Eligible dividends:

Federal: Eligible dividends paid to you during the year are found in box 24 of the T5 slip. However, this is not the amount to be reported in your federal tax return; you must report the grossed-up amount shown in box 25 – Taxable amount of eligible dividends of your T5 slip. This amount is equal to box 24 multiplied by 1.38. In addition, you will find the tax credit for eligible dividends in box 26.

2 - Dividends other than eligible dividends (or "non-eligible dividends"):

Federal: Dividends other than eligible dividends paid to you over the year are found in box 10 of the T5 slip. However, this is not the amount to be reported in your return; you must report the grossed-up amount shown in box 11 of the T5 slip – Taxable amount of dividends other than eligible dividends. This amount is equal to box 10 multiplied by 1.15. In addition, you will find the tax credit for non-eligible dividends in box 12 of the T5 slip.

6.2. Foreign Income

Earnings from dividends, interest, or any other type of foreign income are shown in box 15 of the T5. The foreign tax paid pertaining to such income is reported in box 16 of the T5. All types of foreign income are grouped together in the same box. The Canadian tax system makes no distinction between them; they are taxed in the same way. The foreign tax credit mechanism will allow you to recover a portion of the foreign tax paid in your tax return. Please note that if this investment is held in a registered account, the withholding tax cannot be recovered through the foreign tax credit.

7. T5008 Slip – Statement of Securities Transactions

If you have sold securities from your non-registered account during the year, you will receive a T5008 statement.

| | | | | | | | |
|--|---|--|---|---|---|---|---|
| Year Année 2022 | | VOID ANNULÉ <input type="checkbox"/> | 10 Report code Code du feuillet O | 11 Recipient type Type de bénéficiaire 3 | 12 Recipient identification number Numéro d'identification du bénéficiaire | 13 Foreign currency Devises étrangères | Protected B / Protégé B when completed / une fois rempli T5008 Statement of Securities Transactions État des opérations sur titres |
| 14 Date MMDD – MMJJ | 15 Type code of securities Code de genre de titres | 16 Quantity of securities Quantité de titres | | 17 Identification of securities Désignation des titres | | | |
| 18 ISIN/CUSIP number Numéro ISIN/CUSIP | | 19 Face amount Valeur nominale | | 20 Cost or book value Coût ou valeur comptable | | 21 Proceeds of disposition or settlement amount Produits de disposition ou paiements | |
| 22 Type code of securities received on settlement Code de genre de titres reçus en guise de règlement | | 23 Quantity of securities received on settlement Quantité de titres reçus en guise de règlement | | 24 Identification of securities received on settlement Désignation des titres reçus en guise de règlement | | | |
| Last name (print) – Nom de famille (en lettres moulées) First name and initials – Prénom et initiales | | | | Name and address of trader or dealer in securities Nom et adresse du négociant ou du courtier en valeurs | | | |
| Recipient / Bénéficiaire CONTIM INC. 8907 NAVAHO DR ADELL QC G9X 0C8 | | | | BANQUE NATIONALE DU CANADA AGENT DE SOCIÉTÉ DE FIDUCIE NATCAN 600, RUE DE LA GAUCHETIÈRE OUEST MONTRÉAL (QUÉBEC) H3B 4L2 | | | |
| T5008 (22) | | 7954 | 4037852 | Consolidated information slip / Feuillet de renseignements consolidés | | RC-22-1451 | |

The security transactions on this form are disclosed to the Canada Revenue Agency. These transactions are to be reported on your annual Income Tax and Benefit Return. Please retain for income tax purposes, as no other forms will be issued.


See on page 3 and the following pages if applicable, the information you must include in your Income Tax and Benefit Return. Keep this copy for your records.

Les opérations sur titres apparaissant sur ce formulaire sont déclarées à l'Agence du revenu du Canada. Ces opérations doivent être inscrites sur votre Déclaration de revenus et de prestations annuelle. Veuillez les conserver aux fins d'impôt car aucun autre formulaire ne vous sera émis.


Voyez à la page 3 et aux pages suivantes s'il y a lieu, les données que vous devez inclure dans votre Déclaration de revenus et de prestations. Conservez cette copie pour vos dossiers.

P1at_00001-00009-000-5/7

CONTIM INC. 1448099560 CAD

 Agence du revenu du Canada / Canada Revenue Agency

Détails des transactions de titres
Securities Transactions Details



T5008
RL-18 (2022-10)
 Page 3 de 3

Année / Year
2022

Protected B / Protégé B
when completed / une fois rempli

| Cases du feuillet T5008 et du relevé 18 / Boxes of the T5008 information slip and the RL-18 slip | | | | | | | |
|--|----|-------------|---------------------------|----|-------------|--------------|--------------|
| 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 01 | 18 | ELN | 15,670.5449 BNC CPG DIVEQ | | 00000000000 | 1567054.49 | 1530385.41 |
| | | 15,670.5449 | TOTAL | | | 1,567,054.49 | 1,530,385.41 |
| | | | | | | | |
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00689-NINCENX-00226-1001 7954 Letter_Plat_000001-000013-000-777

- > Additionally, as indicated in [the CRA Guide](#), the amount shown in box 20 of the T5008 slip may not represent the Adjusted Cost Base (ACB) required to calculate the gain/loss. As such, please refer to the FAQ at the end of this section for further detail.
- > In all cases, you must take the "adjusted cost base" calculated based on your aggregate data as indicated on the following page. **IMPORTANT:** Keep the explanations of your ACB calculations, especially if they differ from the values shown in box 20 of your T5008 slips. This will allow you to respond to requests for additional information from tax authorities, as required.
- > If box 20 is left blank, it is because the institution does not have accurate information to report a book value. In this case, you will need to check your records to determine the ACB to calculate your gain or loss for tax purposes.

7.1. How Capital Gain or Loss is Calculated

The fiscal gain or loss is calculated as: Proceeds of disposition minus (ACB minus the expenses incurred to sell the asset). Therefore, for tax purposes, the ACB is used to calculate the taxpayer's loss or gain at the time of disposition.

- > **Proceeds of Disposition:** Proceeds of disposition is the amount received or receivable in return for property or goods and is, generally, the sale price. Box 21 of the T5008 slip represents the proceeds of disposition before commissions or any expenses are disbursed.
- > **Commissions or Fees:** The fees or commissions disbursed are necessary to complete the calculation of the capital gain or loss mentioned above. Please refer to your portfolio statements or trade confirmations. For more information, contact your Advisor.

7.2. How to Calculate the ACB of a Mutual Fund

The ACB of a mutual fund investment is equal to:

The total of all amounts paid to purchase fund shares
(+) the value of all reinvested distributions ⁽¹⁾
(-) the portion of capital return of distributions ⁽²⁾
(-) the ACB of previously sold shares.

⁽¹⁾ Reinvested distributions increase the cost base of the units to avoid double taxation when units are disposed of.

⁽²⁾ Distributions may be made in part from a return of capital. You do not have to pay tax on this amount. Therefore, you do not have to report this amount as taxable income for the year.

For a partial redemption, the capital gain or loss is determined by multiplying the ACB per unit by the number of units redeemed.

Example of the calculation of the Adjusted Cost Base

January 25, 2021

An investor acquires \$10,000 worth of shares of a National Bank fund, whose cost per share is \$10.00. The investor therefore acquires 1,000 shares.

April 8, 2021

The investor buys \$3,600 worth of shares of the same fund, when the cost per share is now \$9.00. The investor therefore acquires 400 additional shares.

December 31, 2021

The fund in question issues a distribution of \$0.25 per share.

The investor receives a distribution of \$350.00 (1,400 shares x \$0.25) which is reinvested to acquire additional shares at a price of \$12.50 per share effective at the end of the year. The investor acquires 28 additional shares (\$350.00 divided by \$12.50).

Following these transactions, the ACB of the shares is as follows:

| | |
|--|------------------|
| Acquisition on January 25, 2021 | \$10,000 |
| Acquisition on April 8, 2021 | \$3,600 |
| Distribution reinvested on December 31, 2021 | \$350 |
| Total ACB | \$13,950 |
| Devided by the number of shares | 1,428 shares |
| ACB per share | \$9,7689 / share |

February 24, 2021

The investor redeems 500 shares at \$13 per share, for a total amount of \$6,500.

The ACB of the 500 redeemed shares is \$4,884.45 (500 shares multiplied by the ACT per share of \$9.7689) and the ACB of the remaining shares is reduced by this amount.

The new total ACB is \$9,065.55, for the remaining 928 shares, while the ACB per share is unchanged at \$9.7689.

The ACB per share immediately after a partial redemption is identical to the ACB per share immediately after the redemption.

CALCULATION OF THE ACB

| Description | Calculation of the ACB | | |
|---|--|----------------|-----------------|
| | <i>The ACB is calculated as follows:</i> | | |
| | Total Cost | Shares | ACB per share |
| Purchase transaction of January 25, 2021 | \$10,000.00 | 1,000.000 | \$10.0000 |
| Purchase transaction of April 8, 2021 | \$3,600.00 | 400.000 | \$9.7143 |
| | \$13,600.00 | 1,400.000 | |
| Distribution reinvested on December 31, 2021 | \$350.00 | 28.000 | |
| | \$13,950.00 | 1,428.000 | \$9.7689 |
| Redemption transaction of February 24, 2022 | (\$4,884.45) | (500.000) | \$9.7689 |
| Adjusted Cost Base of remaining shares | \$9,065.55 | 928.000 | \$9.7689 |

Settlement Date vs. Transaction Date

A disposition for tax purposes is triggered on the settlement date rather than on the date the transaction was ordered.

Conversion to Canadian Dollars

Please note that all information reported on your income tax return must be in Canadian dollars (with a few exceptions). Therefore, for capital gain and loss purposes, the ACB must be calculated in Canadian dollars, even if the security (Canadian or foreign) is denominated in a different currency. The exchange rates in effect at the time of purchase and at the time of disposition must be used to calculate the ACB and the proceeds of disposition accordingly, in order to calculate the gain or loss. The same is true for items that affect the calculation of the ACB (e.g., capital distributions), as well as those that affect the calculation of the gain or loss (e.g., sales charges).

Note that in certain income situations, the CRA administratively allows the use of the average annual exchange rate, but this ministerial discretion does not apply to items related to the calculation of the capital gain or loss.

7.3. Flex GIC

A Flex GIC is a debt security whose return is linked to the performance of an underlying (the underlying may be one or more assets or a benchmark index).

With respect to the assignment or transfer of a Flex GIC, all or part of the realized gain at the time of the assignment or transfer may be recharacterized as interest income. Therefore, this gain is included in your income as interest income in the year of the assignment or transfer of the Flex GIC. This measure ensures that any positive return on a Flex GIC retains the same character, whether realized at maturity or reflected in a sale in a secondary market.

The following three elements must be identified at the sale or maturity of a Flex GIC:

- 1 - Taxable interest (T5)
- 2 - Interest paid to the seller at purchase; this is deductible at the Carrying charges and interest expenses (no prescribed slip is required) section.
- 3 - Gain or loss, as applicable (T5008 and calculation of the ACB).

We recommend that you calculate each of the steps above in the following order:

- 1 - *Calculation of interest:* The interest income attributable to a Flex GIC corresponds to the difference between the amount received on the sale or transfer of the note (“sale price”) and the “residual principal” of the note (price at the time the note was issued less any reimbursements received before its maturity), regardless of whether the Flex GIC was sold before its maturity or not. This amount of interest will appear on the T5.
- 2 - *Calculation of interest paid to the seller in purchase:* When a premium is paid at the time of acquisition of the Flex GIC, this premium generally represents interest paid to the seller. If applicable, this amount, limited to the interest calculated in Step 1 and entered on the T5 slip, is then deductible for the purchaser as “interest paid”. The interest paid also reduces the cost of acquisition for the purpose of calculating the ACB.
- 3 - *Calculation of gain or loss:* At the time of sale or expiry, it is necessary to calculate whether there is a gain or a loss. For this purpose, the proceeds of disposition must be reduced by the interest included at the time of sale or maturity (step 1). Remember that the residual principal must, in certain circumstances, be adjusted in order to obtain the ACB necessary for the calculation of the capital gain or loss.

Tax and Investment Guide 2022 (Canada, except Quebec)

The table below provides non-comprehensive examples of calculations of capital gains and losses for various potential Flex GIC disposition scenarios.

| | 1 | 2 | 3 | 4 |
|--|-----------------------|-----------------------|-------------------------------------|------------------------------------|
| | Sale Below Face Value | Sale Above Face Value | Sale Following Purchase at Discount | Sale Following Purchase at Premium |
| Assumptions | | | | |
| Face Value | \$100 | \$100 | \$100 | \$100 |
| Investor Purchase Price | \$100 | \$100 | \$95 | \$105 |
| Sale Price Before Maturity | \$95 | \$105 | \$115 | \$107 |
| 1. and 2. Calculation of Interest and Interest Paid to Seller in Purchase | | | | |
| Taxable Interest | \$- | \$5 | \$15 | \$7 |
| Interest Paid at Time of Purchase | | | | \$(5) |
| 3. Calculation of Gain or Loss | | | | |
| Proceeds of Disposition | \$95 | \$105 | \$115 | \$107 |
| (-) Adjustment (Interest) | | \$(5) | \$(15) | \$(7) |
| ACB | \$100 | \$100 | \$95 | \$105 |
| (-) Adjustment (Interest/Commission) | | | \$- | \$(5) |
| Capital Gain (Loss) | \$(5) | \$- | \$5 | \$- |

Example 1: Purchase at face value

| | |
|---------------------------------|------------|
| Issue Price | \$1 000,00 |
| Investor's Purchase Price | \$1 000,00 |
| Sell Price | \$1 020,00 |
| Interest (T5) | \$20,00 |
| Gain (loss) calculation | |
| Proceeds of Disposition | \$1 020,00 |
| Adjustment (interest T5) | \$20,00 |
| Proceeds of Disposition (T5008) | \$1 000,00 |
| Initial Cost | \$1 000,00 |
| Adjustment | \$0,00 |
| Adjusted Cost Base | \$1 000,00 |
| Gain (loss) | \$0,00 |

7.4. FAQ –T5008

- > **Q.1.: Under what circumstances may adjustments to the amount shown in box 20 of my T5008 slip be required to determine the ACB for tax purposes?**

A.1.: There are a wide variety of reasons why the amount in box 20 may not accurately reflect the ACB, including:

- > when a security was transferred into your account, the information that was provided by the institution that transferred the security may have been incorrect. It is necessary to check whether the cost of the security indicated on the broker's statement following the change is the correct tax cost or whether it is the market value at the time the client changed firm.
- > when you hold identical securities in more than one non-registered account, even when the accounts are all at the same institution.
- > when you have a history of losses subject to the superficial loss regulations.
- > when you have made a tax election, undertaken certain rollover transactions (including a spousal or estate rollover), or have been subject to "deemed disposition" rules for the security.
- > if you disposed of interests in mutual funds, the amount in box 20 may not reflect reimbursements of capital (which reduce the ACB) or reinvested distributions (which increase the ACB).

8. RRSP

8.1. RRSP Contribution Receipt

If you have contributed to an RRSP of which you or your spouse (or common-law partner) is an annuitant between March 2, 2022 and March 1, 2023, you will receive an RRSP contribution receipt. Receipts will be issued for two separate periods: the first one corresponding to contributions between March 2, 2022 and December 31, 2022, and the second covering the first 60 days of 2022 from January 1, 2023, to March 1, 2023.

It is important to complete *Schedule 7* of your 2022 income tax return and attach all receipts including those covering the first 60 days of 2022, even if you do not claim RRSP deductions on your 2021 income tax return for some or all contributions made between March 2, 2022 and March 1, 2023.

The image shows three identical RRSP contribution receipts from National Bank of Canada. Each receipt is for the year 2011 and shows a contribution of \$36,000.00. The receipts are for contributions made during the first 60 days of the year. Each receipt includes a table with the following columns: 'N° du régime / Plan No.', 'Date du dépôt / Deposit Date', 'Contribution', and 'N° d'assurance sociale / Social Insurance No.'. The contribution amount is listed as \$36000.00. The receipts also include the bank's name in French and English, the receipt number (11006196), and the account number (368566). There is a signature and the name of the depositor on each receipt.

| N° du régime / Plan No. | Date du dépôt / Deposit Date | Contribution | N° d'assurance sociale / Social Insurance No. |
|-------------------------|------------------------------|--------------|---|
| | 2011 | \$36000.00 | |

8.2. Spousal or Common-Law Partner's RRSP

You can contribute into a spousal or common-law partner's RRSP instead of yours. These contributions will be deductible on your income tax return based on your RRSP deduction limit (i.e., RRSP contribution room). You will need to separately identify, in Schedule 7, the contributions made to your own RRSP from those made to your spousal or common-law partner's RRSP.

8.3. Excess Contributions

A special tax of 1% per month is payable on contributions made to an RRSP that exceed your RRSP deduction limit by more than \$2,000.

If you are subject to this special tax, you must complete a T1-OVP return, "Individual Tax Return for RRSP, SPP and PRPP - Excess Contributions," send it to your tax center and make a payment within 90 days following the end of the calendar year to avoid paying a penalty or interest.

The application of this special tax (1%) may cease either:

- > when you have new RRSP contribution room;
- > at the time of withdrawal of excess contributions.

8.4. Withdrawal of Excess Contributions

If you withdraw excess contributions from your RRSP, you will have to include the withdrawn amount in your income for the year of withdrawal, even if you have never deducted this amount in your previous tax returns. However, an offsetting deduction can be claimed when certain conditions are met. You can refer to [Form T746](#) to find out if you are eligible for this offsetting deduction.

9. RRSP or RRIF Withdrawal – T4RSP and T4RIF Slips

If you made a withdrawal from your RRSP or RRIF account during the year, you will receive a T4RSP or T4RIF slip, as applicable, showing the amount withdrawn and taxes withheld. The taxes withheld will be credited to your taxes owed on your income tax return. You may still have to pay taxes, particularly if you have other sources of income.

| Canada Revenue Agency | | Agence du revenu du Canada | | STATEMENT OF RRSP INCOME ÉTAT DU REVENU PROVENANT D'UN REER | | T4RSP | |
|--|---|---|--|--|------------------------------------|---|--|
| Year Année | 16 Annuity payments Paiements de verse | 18 Refund of payments Remboursement de verse | 20 Refund of excess contributions Remboursement des cotisations excédentaires | 22 Withdrawal and contributions payments Retrait et paiements de cotisation | 25 LLP withdrawal Retrait LLP | 26 Amounts deemed received or designated Montants réputés reçus lors de la rupture de la conjugalité ou de l'union de fait | |
| 20XX | | | | 10000.00 | | | |
| | 28 Other income or deductions Autres revenus ou déductions | 30 Income tax deducted Impôt sur le revenu versé | 34 Amounts deemed received or designated Montants réputés reçus ou désignés | | 27 RRSP withdrawal Retrait RRSP | 35 Transfers on breakdown of marriage or common-law partnership Transferts après rupture du mariage ou de l'union de fait | |
| | | 2000.00 | | | | | |
| Occupant's name and address – Nom et adresse du bénéficiaire | | | | Contributor spouse or common-law partner Époux ou conjoint de fait censé | | | |
| Last name (print) Nom de famille (en lettres majuscules) | | | | Social insurance number* Numéro d'assurance sociale* | | | |
| FIRST NAME SURNAME PRÉNOM NOM | | | | Contract number Numéro de contrat | | | |
| ADDRESS ADRESSE | | | | FINANCIÈRE BANQUE NATIONALE | | | |
| | | | | 61 Account Number Numéro de compte | | | |
| | | | | 40 Tax-paid amount Montant libéré d'impôt | | | |

Privacy Act / Personnal Information Bank number CRA RPU 665 and CRA RPU 047
Loi sur la protection des renseignements personnels / Fiche de renseignements personnels AIC RPU 035 et AIC RPU 047

T4RSP (XX)

*If your social insurance number is not shown, see the back of this slip.
*Si votre numéro d'assurance sociale n'est pas indiqué, consultez le verso de ce libéré.

Protected B when completed / Protégé B une fois rempli

| Canada Revenue Agency | | Agence du revenu du Canada | | STATEMENT OF INCOME FROM A REGISTERED RETIREMENT INCOME FUND ÉTAT DU REVENU PROVENANT D'UN FONDS ENREGISTRÉ DE REVENU DE RETRAITE | | T4RIF | |
|--|---|---------------------------------|--|--|------------------------------|---|--|
| Year Année | 16 Taxable amounts Montants imposables | 18 Deceased Personne décédée | 26 Designation Annulation de l'enregistrement | 22 Other income or deductions Autres revenus ou déductions | 24 Excess amount Excédent | 26 Spousal or common-law partner RRSP CRRP au profit de l'époux ou conjoint de fait | |
| 20XX | 20000.00 | | | | 4161.58 | NO | |
| | 28 Income tax deducted Impôt sur le revenu versé | 30 Year Année | 35 Transfers on breakdown of marriage or common-law partnership Transferts après rupture du mariage ou de l'union de fait | | | 32 Spousal or common-law partner's social insurance number Numéro d'assurance sociale de l'époux ou conjoint de fait | |
| | 416.16 | | | | | | |
| Occupant's name and address – Nom et adresse du bénéficiaire | | | | Reason of payer (owner) of fund Nom du payeur (directeur) du fonds | | | |
| Last name (print) Nom de famille (en lettres majuscules) | | | | Social insurance number* Numéro d'assurance sociale* | | | |
| FIRST NAME SURNAME PRÉNOM NOM | | | | Contract number Numéro de contrat | | | |
| ADDRESS ADRESSE | | | | FINANCIÈRE BANQUE NATIONALE | | | |
| | | | | 61 Account Number Numéro de compte | | | |
| | | | | 35 Tax-paid amount Montant libéré d'impôt | | | |

Privacy Act / Personnal Information Bank number CRA RPU 046 and CRA RPU 047
Loi sur la protection des renseignements personnels / Fiche de renseignements personnels AIC RPU 035 et AIC RPU 047

T4RIF (XX)

*If your social insurance number is not shown, see the back of this slip.
*Si votre numéro d'assurance sociale n'est pas indiqué, consultez le verso de ce libéré.

Protected B when completed / Protégé B une fois rempli

9.1. Attribution Rules: Calculation of the Amount to be Included in Your Income and in the Income of Your Spouse or Common-Law Partner

When you withdraw from a spousal or common-law partner's RRSP, it is possible that all or part of the amount on the T4RSP or T4RIF slip is reattributed to you (even if the slip is issued in the annuitant's name), meaning that the amount must be included in your income tax return (the contributor's tax return).

If you contributed to a spousal or common-law partner's RRSP in 2020, 2021, or 2022, you may have to include in your 2021 income some or all the amounts withdrawn from the spousal or common-law partner's RRSP.

In the year of withdrawal (e.g., 2022), you must include the lesser of the amount you contributed to your spouse's RRSP for the year of withdrawal (2022) as well as the two previous years (2021 and 2020) or the amount that your spouse or common-law partner has withdrawn from his/her RRSP (e.g., 2022).

Please review the [CRA website](https://www.cra.gc.ca) for more information.

Use Form T2205, “Amounts from a Spousal or Common-law Partner RRSP, RRIF or SPP to Include in Income” to calculate the amount to be included in your own income tax return and in the return of your spouse or common-law partner.

In all cases, the individual whose name appears on the slip must declare the tax withheld. Most of the time, after a withdrawal, the information slip is made in the name of the annuitant. However, you must report income as calculated in Parts 1 and 2 of Form T2205.

9.2. Exceptions

The attribution rules do not apply in the following situations:

- > You and your spouse or common-law partner were living separately at the time of withdrawal due to a breakdown of the relationship.
- > At the time of withdrawal, you or your spouse or common-law partner were non-residents of Canada.
- > Regarding the Prescribed Minimum RRIF Amount: the attribution rules apply only to amounts in excess of the minimum withdrawal for the year.
- > In the year of death.

10. Transfer of a RRIF/LIF to an RRSP/LIRA

It is possible, in certain circumstances, that an annuitant transfers funds from his/her RRIF/LIF to his/her RRSP/LIRA. While this transfer is not taxable, the amount transferred from the RRIF (LIF) to the RRSP (LIRA) will trigger the issuance of a T4RIF (and a Relevé 2 for Québec residents), and a tax receipt marked 60 I) (v). The T4RIF will result in the inclusion of the amount in declared income, while the tax receipt marked 60 I) (v), included as appropriate on Schedule 7 of the Federal income tax return (transfer section), will provide a deduction that will negate the inclusion of the income.

Note, however, that the following transfers do not generate tax slips and do not affect the reporting of income: an RRSP/LIRA to an RRSP/LIRA, an RRSP/LIRA to an RRIF/LIF, or an RRIF/LIF to an RRIF/LIF.

11. RESP Withdrawal – T4A Slip

RESP income or grant withdrawal will trigger the issuance of a T4A slip in the name of the beneficiary of the plan. RESP capital withdrawals are not taxable.

| Canada Revenue Agency / Agence du revenu du Canada | | Year / Année | T4A | | |
|--|--|--|--|---|------------------|
| Payer's name – Nom du payeur | | Statement of Pension, Retirement, Annuity, and Other Income / État du revenu de pension, de retraite, de rente ou d'autres sources | | | |
| 061 | Payer's program account number / Numéro de compte de programme du payeur | Pension or superannuation – line 11500 / Prestations de retraite ou autres pensions – ligne 11500 | | Income tax deducted – line 43700 / Impôt sur le revenu retenu – ligne 43700 | |
| 012 | Social insurance number / Numéro d'assurance sociale: 999 999 999 | 013 | Recipient's program account number / Numéro de compte de programme du bénéficiaire | 022 | |
| Recipient's name and address – Nom et adresse du bénéficiaire | | 018 | Lump-sum payments – line 13000 / Paiements forfaitaires – ligne 13000 | 020 | |
| Last name (print) – Nom de famille (en lettres moulées) / First name – Prénom / Initials – Initiales | | Annuities / Rentes | | 046 | |
| FIRST NAME SURNAME / PRENOM NOM | | Fees for services / Honoraires ou autres sommes pour services rendus | | | |
| ADDRESS / ADRESSE | | Other information (see page 2) / Autres renseignements (voir à la page 2) | | | |
| Box – Case | Amount – Montant | Box – Case | Amount – Montant | Box – Case | Amount – Montant |
| 014 | XXXXXXX | 042 | 872.62 | | |
| Box – Case | Amount – Montant | Box – Case | Amount – Montant | Box – Case | Amount – Montant |
| | | | | | |
| Box – Case | Amount – Montant | Box – Case | Amount – Montant | Box – Case | Amount – Montant |
| | | | | | |
| Box – Case | Amount – Montant | Box – Case | Amount – Montant | Box – Case | Amount – Montant |
| | | | | | |

12. Tax-Free Savings Account (TFSA)

The TFSA is an account that allows a taxpayer to save and invest on a tax-free basis. Any amounts accumulated in a TFSA or withdrawn from the account are generally not taxable.

12.1. Eligibility

Anyone 18 years of age or older and having a valid social insurance number is eligible for a TFSA. To make contributions, the holder must be a tax resident of Canada. If an individual turns 18 during the year, they will have to wait until their birthday to open a TFSA. In Canadian provinces where the age of majority is 19 (British Columbia, New Brunswick, Nova Scotia, Nunavut, Northwest Territories, Yukon and Newfoundland and Labrador), it will be necessary to wait when the individual reaches majority to open an account.

12.2. Annual TFSA Contribution Limit

The TFSA contribution limit in 2023 is \$6,500, for 2022 (as for 2019, 2020, and 2021) it remains at \$6,000. The limit will be indexed to the inflation rate for subsequent years and will be rounded to the nearest \$500. The annual contribution limit from 2009 to 2012 was \$5,000. The contribution limit for each of 2013, 2014, 2016, 2017 and 2018 was \$5,500. Exceptionally, the 2015 contribution limit was \$10,000.

A TFSA contribution is not deducted from income (unlike an RRSP contribution). Unused contribution room will be carried forward to future years indefinitely and there is no cumulative limit. In addition, withdrawals from a TFSA in any given year will be added to the individual's contribution room for the following year. This allows individuals withdrawing money from their TFSA to use their accumulated savings to recontribute an amount equivalent to the withdrawal in the following or subsequent years.

The calculation of the annual contribution room is as follows:

$$\text{Unused contribution room from previous years} + \text{withdrawals made in the previous year} \\ + \text{current year's contribution room.}$$

For example, an individual has unused contribution room of \$10,000 and withdraws \$7,000 in a given year. The following year, that individual may, therefore, contribute \$17,000 in addition to that year's contribution limit. As with RRSPs, it is not possible for financial institutions to calculate, for the client, the amount they are entitled to contribute to their TFSA. Note, however, that it is possible to find this information on the CRA's "My Account." For more information, see the following webpage: [TFSA Contributions](#)

"In-kind" contributions are allowed. The amount of the contribution will be equal to the fair market value (FMV) of the property. CRA considers that there was a disposition of the property at FMV at the time of the contribution. If the FMV exceeds the fiscal cost of the property, a capital gain must be reported when filing your tax return. However, if the fiscal cost is greater than the FMV, no capital loss will be permitted since the loss would be considered "deemed to be nil" under ITA.

There is no maximum age for contributing. No tax slip will be issued. Each year, CRA will determine the permitted contribution amount for the TFSA holder. Interest paid on money borrowed and invested in a TFSA is not deductible for tax purposes.

12.3. Excess Contributions

Excess TFSA contributions are subject to a 1% tax per month. If the CRA suspects that the excess contributions were deliberate, a 100% tax will be levied on income earned on these contributions. There is no special procedure to withdraw excess contributions, i.e., a regular withdrawal must be made. The withdrawal of excess contributions will not allow the holder to accumulate new contribution room.

> **Example:**

Rosanna is a 31-year-old Canadian resident. She opened a TFSA on February 6, 2009 and contributed the maximum amount she could contribute from 2009 to 2021. In February 2022, she contributed \$4,500. Later that year, she received an unexpected \$4,100. She forgot that her contribution room for 2022 was limited to \$6,000 and decided to contribute the full amount (\$4,100) to her TFSA on October 30, 2022.

After making this contribution, Rosanna had an excess of \$2,600 in her TFSA because the total amount she contributed as of October 30 was \$8,600 (\$4,500 + \$4,100), and this amount exceeded her 2022 contribution room of \$6,000.

If Rosanna has made no further contributions to her TFSA and no withdrawals during the remainder of 2022, she has a tax liability of \$78 on her excess TFSA amount. This amount was calculated by multiplying the highest excess amount in each month by 1% for each of the three months from October to December; therefore, $\$2,600 \times 1\% \times 3 \text{ months} = \78 .

If, after making her \$4,100 contribution on October 30, 2022, Rosanna realized her error and withdrew \$2,600 on October 31, she still would have been subject to a 1% tax on the \$2,600 excess amount, but only for October. Her tax liability would have been \$26 ($\$2,600 \times 1\% \times 1 \text{ month}$). (Example from the CRA Guide)

Note that the application of this special 1% tax may cease when the taxpayer has new TFSA contribution rights.

12.4. Withdrawals

TFSA withdrawals may be made at any time, for any reason, and are not taxable. The total amount of the withdrawals may be re-contributed to the TFSA in the following or subsequent years (due to the increase in contribution room). Hence, a TFSA withdrawal restores contribution room, which is not the case for RRSP withdrawals.

12.5. Plan's Maturity Date

Unlike an RRSP where you must terminate the plan when reaching 71 years of age, there is no termination date for a TFSA. The TFSA, therefore, offers seniors aged 71 and over a tax-free savings vehicle.

12.6. Operating a Business

Income/gains earned in TFSAs (structured as trusts) are generally not taxable except for business income. Indeed, if the CRA determines that the TFSA trust is used during "carrying on a business," the income/gains earned by that business (net of business losses) may be subject to tax. Note that it is the TFSA trust and not you (via personal tax return(s)) that is subject to tax at the top marginal rate on the first dollar of taxable income.

What is business income?

Depending on the circumstances, frequent trading activities with a short holding period (or "day trading") may be considered to be carrying on a business - even if it takes place in a TFSA trust.

In recent years, the CRA has increased its scrutiny of TFSAs where frequent or speculative trading is taking place.

Several factors are considered when determining whether a TFSA trust is being used for business purposes. These factors include: the frequency of trading, the repetition of similar transactions, the length of time the securities have been held, the intention to purchase securities for short-term profit, the speculative nature and quantity of securities traded, the knowledge of the securities markets, and the amount of time spent by the holder studying those markets. None of these factors is determinative and they are all considered in concluding that a person is carrying on a business.

A key trigger for the CRA appears to be where the FMV of the account is significantly greater than the total maximum TFSA contributions that can be made to date.

For example, if a TFSA has an abnormally high FMV and there have been several trades with a short holding period ("day trading"), the CRA may consider that the increase in value of the TFSA indicates it is held by a holder with special knowledge of securities who is engaged in market speculation. Therefore, business income is present.

If the CRA determines the TFSA holder has carried on a business in their TFSA trust, any gains/income (net of losses) related to that business activity realized by the TFSA trust will be taxed as business income. Such income will be taxed via a Trust Income Tax and Information Return at the highest rate applicable to individuals (approximately 50% depending on the holder's province of residence). Income that is subject to tax in the TFSA trust includes dividends and interest, as well as the full amount of gains net of realized losses. Gains and losses do not benefit from the 50% tax rate because the TFSA trust is considered to be carrying on a securities trading business.

The TFSA holder is jointly and severally liable with the trustee of the TFSA trust for any tax payable on income earned from carrying on a business in the TFSA trust, such that the CRA will be able to look directly to the holder to collect it if there are insufficient assets in the TFSA to pay it. If you are thinking of operating a business through your TFSA trust, call your Advisor.

13. Miscellaneous

13.1. NR4 Slip (Federal) – Statement of Amounts Paid or Credited to Non-Residents of Canada

Non-residents of Canada will receive a NR4 stating the gross investment income, the tax withheld (if applicable), as well as withdrawals from registered accounts. Usually, the withholding tax will be considered a final tax and the non-resident should not be required to file a Canadian income tax return unless the non-resident is in a special situation.

| Canada Revenue Agency | | Agence du revenu du Canada | | NR4 | | STATEMENT OF AMOUNTS PAID OR CREDITED TO NON-RESIDENTS OF CANADA ÉTAT DES SOMMES PAYÉES OU CRÉDITÉES À DES NON-RÉSIDENTS DU CANADA | |
|--|--|---------------------------------------|---|--|---|---|--|
| 10 Year Année | 11 Recipient code Code du bénéficiaire | 12 Country code Code pays | Payer or agent identification number Numéro d'identification du payeur ou de l'agent | | 13 Foreign or Canadian tax identification number Numéro d'identification étranger ou canadien aux fins de l'impôt | | |
| 20XX | 1 | F R A | XXXXXX | | 000 000 000 | | |
| Line Ligne | 14 Income code Code de revenu | 15 Currency code Code de devise | 18 Gross income Revenu brut | | 17 Non-resident tax withheld Impôt des non-résidents retenu | | 18 Exemption code Code d'exemption |
| 1 | 6 1 | C A D | 9814 93 | | 0 00 | | S |
| Line Ligne | 24 | 25 | 28 | | 27 | | 28 |
| 2 | | | | | | | |
| Non-resident recipient's name and address – Nom et adresse du bénéficiaire non-résident | | | | | | | |
| Individual's surname, first name and initial / Corporation, organization, association, trust, or institution name Nom, prénom et initiale du particulier / Nom de la société, de l'organisme, de l'association, de la fiducie ou de l'établissement | | | | Name and address of payer or agent Nom et adresse du payeur ou de l'agent | | | |
| Second individual's surname, first name and initial / Nom, prénom et initiale du deuxième particulier | | | | FINANCIERE BANQUE NATIONALE | | | |
| Address / Adresse | | | | 1155 RUE METCALFE | | | |
| FIRST NAME SURNAME | | | | MONTREAL QC | | | |
| PRÉNOM NOM | | | | H3B 4S9 | | | |
| ADDRESS | | | | Non-resident account number Numéro de compte non-résident | | | |
| ADRESSE | | | | XXXXXXXXXX | | | |
| | | | | Country code Code pays | | | |
| | | | | F R A | | | |
| <small>Privacy Act, Personal Information Bank numbers CRA PPU 005 and CRA PPU 047. Loi sur la protection des renseignements personnels, Fichiers de renseignements personnels numéros ARC PPU 005 et ARC PPU 047.</small> | | | | | | | |
| | | | | | | RC-XX-XXX Canada | |

Protected B when completed / Protégé B une fois rempli

FAQ – Tax Slips and Miscellaneous

Q.1.: Why were there withholdings on my registered account when income paid into this account is not taxable?

A.1.: It is true that income is not taxed in a registered account for Canadian tax purposes. There are, however, withholdings on U.S. source income paid into a TFSA, RESP, or registered disability savings plan (RDSP). These are considered "non-registered vehicles," and, therefore, taxable by U.S. tax authorities. The withholdings associated with these accounts cannot be recovered through the Canadian foreign tax credit mechanism. Note that the treatment is different for RRSP/RRIF accounts; no withholding tax will be levied for these since the United States recognizes Canadian RRSPs and RRIFs as having non-taxable "registered plan" status. Thus, in accordance with the Tax Treaty between Canada and the United States, money or investments held in an RRSP/RRIF continue to grow tax-free as long as no amounts are withdrawn.

The withholding rate may differ according to the documentation that you provide at account opening, as well as your country of residence. The Tax Treaty between the United States and certain countries, including Canada, provides the right to a reduced withholding rate. To be eligible for the Treaty's preferential tax rate, you must provide documentation establishing your place of residence, i.e., the IRS Form "W-8BEN" or any other acceptable document. We strongly recommend that you contact your Investment Advisor to determine the forms required for your specific situation. If you do not fill in the required documentation, the maximum withholding rate of 30% will be applied to all U.S. source income paid into your non-registered accounts, TFSAs, RESPs, and RDSPs. This withholding is remitted to the U.S. tax authorities and is, generally, considered a final tax. Therefore, you do not need to file a U.S. tax return (Form 1040NR or Form 1040) unless you need to file one for another reason, or if there is reason to believe that you will be able to recover a withheld amount from the U.S. tax authorities.

Q.2.: Deduction for carrying charges and interest expenses

A.2.: Carrying charges and interest expenses are deductible within certain limitations. Here is a brief summary of these:

A) Federal

As outlined by CRA on their website – [Line 22100](#)

Line 22100 – Carrying charges and interest expenses

Note: Line 22100 was Line 221 before tax year 2019.

Claim the following carrying charges and interest you paid to earn income from investments:

- > most interest you pay on money you borrowed for investment purposes, but generally only if you use it to try to earn investment income including interest and dividends. However, you cannot deduct these fees if the only income your investment can produce is capital gain.



You agree to release National Bank of Canada (“NBC”), its affiliates, employees, agents, representatives, officers and directors, even in case of gross negligence or misconduct on the part of NBC or the latter, from and against all liabilities, claims, losses and/or damages (including legal fees and expenses) and from all proceedings, claims or any other cause of action as to the accuracy of the information herein (as well as in the mentioned documents and statements) and the tax impacts resulting from their use.

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