

TABLE OF CONTENTS

Preface	iii
Introduction	v
Summary of chapters	vii
Tax compliance calendar	ix
List of tables	xxix
List of CRA forms.....	xxxii
Key definitions.....	xxxiii

PART I — TAX PLANNING

<i>Chapter 1</i> TAX PLANNING CONCEPTS	3
I. WHAT IS TAX PLANNING?.....	3
1. Types of tax savings	4
II. ABSOLUTE TAX SAVINGS.....	4
1. Exploiting the progressive tax brackets	4
2. Choosing investments that generate income that is preferentially taxed	6
3. Utilizing all available deductions and credits	8
III. TAX DEFERRAL	8
<i>Chapter 2</i> TAX PLANNING CHECKLIST	13
I. RETIREMENT SAVINGS	13
II. TAX-PREFERRED INVESTING.....	15
III. LOSS UTILIZATION	17
IV. INCOME SPLITTING	18
V. PERSONAL TRUSTS	19
VI. ADMINISTRATIVE/REPORTING	19

PART II — INVESTMENT INSTRUMENTS

<i>Chapter 3</i> STOCK	25
I. ADJUSTED COST BASE (ACB).....	25
1. Foreign currency	26
2. Identical properties	26
3. Employee stock options.....	27
II. TYPES OF SHARES.....	27
1. Small business corporation	28
2. Qualified small business corporation (QSBC) shares	29

TABLE OF CONTENTS

(a) Limitations.....	29
(b) Definition of QSBC share	30
(c) Tax reporting	31
3. Eligible small business corporation (ESBC) shares.....	31
(a) Limitations.....	32
(b) Definitions	32
(c) Tax reporting	33
4. Flow-through shares.....	33
(a) Definition of flow-through share	34
(b) Resource deductions	35
(c) Tax benefits	36
(d) Investment tax credits	36
(e) Tax reporting	37
5. Canadian security	38
III. SUMMARY.....	38
IV. REFERENCES.....	39
<i>Chapter 4</i> DEBT	41
I. ADJUSTED COST BASE (ACB).....	41
II. TYPES OF DEBT	42
1. Investment contract.....	42
2. Prescribed debt obligation.....	42
3. Indexed debt obligation.....	43
4. Income bond and income debenture	43
5. Small business bond and small business development bond	44
6. Canadian security	44
III. SUMMARY.....	44
IV. REFERENCES.....	45
<i>Chapter 5</i> OPTIONS, WARRANTS AND RIGHTS	47
I. EMPLOYEE STOCK OPTIONS	47
1. Overview	47
(a) Taxable benefit of employment.....	47
(b) Stock option deduction.....	48
(i) Charitable donation of employee option securities.....	48
(c) Adjusted cost base (ACB)	49
2. Classification of employee stock options.....	50
(a) CCPC options	51
(b) Other employee stock options	52
3. Key dates.....	52

TABLE OF CONTENTS

4. Computation and timing of the taxable benefit of employment	53
5. Adjusted cost base (ACB) computations	55
6. Ordering rules	57
II. TRADING IN SHARE OPTIONS.....	58
1. Income account or capital account.....	58
2. Treatment of the taxpayer who acquires or holds options	59
3. Treatment of the taxpayer who sells or writes options	61
III. RIGHTS TO ACQUIRE THE SECURITIES OF A CORPORATION.....	64
IV. CONVERTIBLE SECURITIES	65
V. SUMMARY.....	66
VI. REFERENCES.....	67
<i>Chapter 6</i> COMMODITIES, FUTURES CONTRACTS AND FOREIGN CURRENCY	
I. TRADER OR SPECULATOR.....	69
II. PERSONAL USE PROPERTY.....	71
III. FOREIGN CURRENCY GAINS AND LOSSES.....	71
1. The accrual vs. settlement methods of accounting.....	71
(a) Preparing an accounting worksheet.....	72
2. The \$200 exemption for individuals	73
IV. SUMMARY.....	75
V. REFERENCES.....	76
<i>Chapter 7</i> MUTUAL FUNDS	
I. QUALIFYING AS A MUTUAL FUND TRUST.....	77
II. THE TAXATION OF A MUTUAL FUND TRUST	78
1. Flow-through of income	78
(a) Capital gains	79
2. Taxation year	81
III. THE TAXATION OF A UNITHOLDER.....	81
1. Taxation of undistributed pre-acquisition income	81
2. Capital gains	82
(a) The cost of a unit	83
3. Tax reporting	84
IV. SUMMARY.....	84
V. REFERENCES.....	85
<i>Chapter 8</i> INCOME TRUSTS (AND OTHER UNIT TRUSTS)	
I. QUALIFYING AS A UNIT TRUST	88
1. The open-end unit trust	88

TABLE OF CONTENTS

2. The closed-end unit trust	88
3. The real property unit trust	89
II. THE TAXATION OF A UNIT TRUST.....	90
III. THE TAXATION OF A UNITHOLDER.....	90
IV. SUMMARY.....	91
V. REFERENCES.....	91
Chapter 9 MUTUAL FUND CORPORATIONS (AND INVESTMENT CORPORATIONS)	
I. MUTUAL FUND CORPORATIONS	93
1. Qualifying as a mutual fund corporation	94
2. Taxation of mutual fund corporations	95
(a) Capital gains	95
(b) Dividends	96
(c) Other income	97
3. Multi-class funds	97
4. Taxation of a shareholder	98
II. INVESTMENT CORPORATIONS	98
1. Qualifying as an investment corporation	99
2. Taxation of investment corporations	100
(a) Capital gains	100
(b) Dividends	100
(c) Other income	101
III. SUMMARY.....	101
IV. REFERENCES.....	102
Chapter 10 LABOUR FUNDS	
I. QUALIFYING AS A PRESCRIBED LSVCC	103
II. THE FEDERAL TAX CREDIT	104
1. Use it or lose it — no carryforward.....	105
2. Alternative minimum tax	105
3. Capital loss and adjusted cost base implications	106
III. MINIMUM HOLDING PERIODS	106
1. Part XII.5 penalty tax — recovery of labour-sponsored funds tax credit	106
IV. RRSP INVESTMENTS.....	107
V. PROVINCIAL TAX CREDITS	108
VI. TAX REPORTING.....	108
VII. SUMMARY.....	109
Chapter 11 LIMITED PARTNERSHIPS	
I. ADJUSTED COST BASE (ACB).....	112

TABLE OF CONTENTS

1. Adjustments to the cost of a tax shelter	113
2. Negative cost base	114
II. THE TAXATION OF PARTNERSHIP INCOME	114
1. Alternative minimum tax (AMT).....	115
2. At-risk rules — limited partnership losses	115
III. TAX REPORTING.....	116
IV. SUMMARY.....	116
V. REFERENCES.....	117
<i>Chapter 12</i> TAX SHELTERS	119
I. OVERVIEW	119
II. TAX SHELTER REGISTRATION	120
1. Definitions	121
2. Tax shelter identification number	121
3. Tax reporting	122
4. Adjustments to the cost of a tax shelter	122
III. ALTERNATIVE MINIMUM TAX	123
1. Overview	124
2. Tax preference items.....	125
(a) Non-taxed portion of capital gains.....	126
(b) Taxable Canadian dividends	126
(c) Partnership losses	126
(i) Allowable capital losses	126
(ii) Business losses.....	127
(iii) Property losses	127
(d) Partnership carrying costs	127
(e) Tax shelters	128
(f) Resource expenses.....	128
(g) Rental or leasing properties	128
(h) Film properties	128
(i) Loss carryovers	129
(j) Other adjustments	129
(k) Amendment relating to RRSP, RPP and DPSP deductions.....	129
3. Basic minimum tax credit.....	130
4. Minimum tax carryover.....	130
5. Provincial AMT	131
6. Tax reporting	131
IV. AT-RISK RULES — LIMITED PARTNERSHIP LOSSES	132
V. MATCHABLE EXPENDITURE RULES	133
1. Mutual fund limited partnerships.....	134
2. Deductibility of matchable expenditures.....	135

TABLE OF CONTENTS

VI. THIRD PARTY CIVIL PENALTIES 135
 1. Planner penalty..... 135
 2. Preparer penalty..... 136
 3. Principles of application 137
VII. REASONABLE EXPECTATION OF PROFIT TEST 138
VIII. GENERAL ANTI-AVOIDANCE RULE (GAAR) 140
IX. SUMMARY..... 141
X. REFERENCES..... 143

PART III — INVESTMENT INCOME

Chapter 13 **DIVIDENDS**..... 147
 I. TAXATION OF DIVIDENDS..... 147
 1. Gross-up and tax credit mechanism 147
 2. Ordering of tax credits 148
 3. Timing of dividend income recognition 149
 II. MAXIMUM TAX-FREE DIVIDEND LEVEL 150
 III. COMPARATIVE AFTER-TAX YIELDS:
 DIVIDENDS VS. INTEREST..... 150
 IV. ELECTION TO REPORT SPOUSE’S DIVIDENDS..... 151
 V. ALTERNATIVE MINIMUM TAX (AMT)..... 152
 VI. STOCK DIVIDENDS 152
 VII. CAPITAL DIVIDENDS 153
 VIII. CAPITAL GAINS DIVIDENDS 153
 IX. TAX REPORTING..... 153
 X. SUMMARY..... 153
 XI. REFERENCES..... 154

Chapter 14 **INTEREST**..... 155
 I. TIMING OF INTEREST INCOME RECOGNITION..... 155
 1. Received and receivable methods 156
 2. Annual accrual rules 156
 (a) Prescribed debt obligations 158
 (i) Non-interest-bearing debt obligations 159
 (ii) Obligations where the principal is not proportional to the
 interest..... 160
 (iii) Deferred interest obligations 160
 (iv) Contingent interest obligations 161
 3. Corporations, partnerships and unit trusts 162
 II. THE COST BASE OF A DEBT OBLIGATION 163
 1. Accrued interest bought and sold 164
 2. Discounts and premiums 165

TABLE OF CONTENTS

(a) Deep discount bonds.....	165
III. TAX REPORTING.....	166
IV. SUMMARY.....	166
V. REFERENCES.....	167
 <i>Chapter 15</i> CAPITAL GAINS AND LOSSES	 169
I. TIMING OF CAPITAL GAINS AND LOSSES	170
1. The meaning of disposition	170
2. Settlement date	171
3. Beneficial ownership and legal ownership.....	171
(a) Joint accounts — probate fee avoidance	172
4. Attribution rules — who reports the capital gain or loss?	172
5. Deemed dispositions	172
6. Election to dispose of bad investments	173
7. Transactions not resulting in a disposition.....	174
II. COMPUTING THE AMOUNT OF A CAPITAL GAIN	174
1. Adjusted cost base (ACB)	175
(a) Identical properties	175
(b) Foreign exchange rate	175
(c) Gifts and bequests	175
(d) Capital gains election.....	176
(e) Exercising employee stock options.....	176
(f) V-day elections (1972).....	176
(g) Foreign spin-off elections	177
2. Proceeds of disposition.....	177
3. Expenses	177
4. Tax-deferred rollovers	178
(a) Eligible small business corporation (ESBC) shares.....	178
(b) Foreign spin-offs	178
(c) Transfers of property under section 85.....	179
(d) Other rollover provisions.....	180
5. Inter-spousal rollovers	180
(a) Spouse and common-law partner.....	181
6. When a gain is not a capital gain	181
7. Arm’s length and related persons	182
III. PREFERENTIAL TAX RATE.....	182
1. Gifts of publicly traded securities	183
2. Capital gains exemption	185
3. Flow-through entities and exempt capital gains balances	186
IV. CAPITAL LOSSES	186
1. Restrictions on the deductibility of capital losses	186
(a) Superficial losses	186

TABLE OF CONTENTS

(i) Affiliated persons	187
(b) Transfers to registered plans	187
(c) Losses sustained on personal debt	188
(d) Share redemptions by affiliated corporations	188
2. Loss carryback/carryforward rules	188
(a) Adjustment to capital gains inclusion rates	189
(b) The inclusion rate for year 2000 — a special case	191
3. Allowable business investment losses (ABILs)	191
4. Accessing the unrealized capital losses of a spouse	191
V. TAX REPORTING	192
VI. SUMMARY	193
VII. REFERENCES	195
<i>Chapter 16</i> BUSINESS INCOME	197
I. CAPITAL ACCOUNT VS. INCOME ACCOUNT	197
1. Transactions on income account — based on the nature of the transactions	198
2. Transactions on income account — based on the taxpayer’s course of conduct	199
3. Guaranteed capital gains election	200
II. TAX TREATMENT OF BUSINESS INCOME (LOSSES)	201
III. SUMMARY	202
IV. REFERENCES	203
<i>Chapter 17</i> FOREIGN-SOURCE INCOME (AND OFFSHORE INVESTMENTS)	205
I. OVERVIEW	205
II. DIRECT PORTFOLIO INCOME	206
1. Foreign tax credits	206
(a) Canadian tax otherwise payable	207
(b) Computation and reporting rules	207
III. FOREIGN INCOME VERIFICATION — FORM T1135	208
1. Foreign affiliates and controlled foreign affiliates	210
IV. TAX MOTIVATED OFFSHORE ARRANGEMENTS	210
1. Overview	210
2. Tax evasion	212
V. NON-RESIDENT CORPORATIONS	213
1. Overview of taxation	213
(a) Dividends received from non-resident corporations	213
(b) Foreign accrual property income (FAPI)	213
(c) Deduction for foreign accrual tax	214
(d) Deduction for distributed FAPI	214

TABLE OF CONTENTS

2.	Determining the residency of a corporation	214
(a)	Common law test of residency	215
(b)	Statutory tests of residency	215
(c)	Treaty tests of residency	215
3.	Types of non-resident corporations	216
(a)	Controlled foreign affiliate	216
(b)	Foreign affiliate	217
VI.	NON-RESIDENT TRUSTS AND OFFSHORE INVESTMENT FUNDS	218
VII.	SUMMARY	219
VIII.	REFERENCES	220
<i>Chapter 18</i>	EXPENSES	221
I.	COSTS INCURRED ON CAPITAL ACCOUNT	221
II.	COSTS INCURRED ON INCOME ACCOUNT	222
1.	Interest on borrowed money	222
2.	Accrued interest bought	222
3.	Fees paid to investment counsel	222
4.	Tax preparation and accounting fees	223
5.	Investment publications	223
6.	Foreign withholding taxes	223
7.	Resource expenses	224
8.	Allowable business investment losses	224
9.	Miscellaneous non-deductible expenses	224
III.	SUMMARY	224
IV.	REFERENCES	224
PART IV — SPECIAL INVESTORS		
<i>Chapter 19</i>	PRIVATE CORPORATIONS	229
I.	CORPORATE TAX STATUS	229
1.	Private corporations	229
2.	Canadian-controlled private corporations (CCPCs)	230
3.	Small business corporations	230
II.	THE TAXATION OF CORPORATE INCOME	231
1.	Dividend income	231
2.	Investment income	232
(a)	Capital gains and losses	232
(i)	Capital dividend account	232
(b)	Income from property	233
(c)	Tax rate — investment income	234
(i)	Refundable portion of tax on investment income	234

TABLE OF CONTENTS

(d) Integration	235
3. Active business income	236
(a) Specified investment business	237
(b) Personal services business	238
4. Other income	238
III. TRANSFERS OF PROPERTY TO A CORPORATION.....	238
IV. THE TAXATION OF CORPORATIONS VS. INDIVIDUALS	239
V. SUMMARY.....	240
VI. REFERENCES.....	241
 <i>Chapter 20</i> ESTATES AND TRUSTS	243
I. OVERVIEW	243
1. The three certainties.....	243
2. The settlor	244
3. The trustee.....	244
4. The beneficiary	244
II. TYPES OF TRUSTS	245
1. <i>Inter vivos</i> trusts	245
2. Testamentary trusts	245
3. Personal trusts	246
4. Spousal trusts	246
5. <i>Alter ego</i> trusts.....	247
6. Joint spousal or common-law partner trust	247
III. TAXATION OF PERSONAL TRUSTS.....	248
1. Flow-through vehicle	248
(a) Paid or payable	248
(b) Preferred beneficiary election.....	248
(c) Election to tax income or capital gains in the trust.....	249
(d) Designations of income by type	249
(e) The entitlements of minors	250
(f) Capital losses	250
2. Taxed like an individual.....	250
3. Transfers of property to/from personal trusts	251
4. 21-year deemed disposition.....	251
5. Tax-motivated uses for trusts	252
(a) Income splitting testamentary trusts	252
(b) Education trusts.....	252
(c) Avoiding probate fees	252
IV. TESTAMENTARY TRUSTS AND DECEASED TAXPAYERS.....	253
1. Trust tax returns	254

TABLE OF CONTENTS

2. Terminal tax return	254
3. Clearance certificates	255
V. TAX REPORTING	255
VI. SUMMARY	256
VII. REFERENCES	257
 <i>Chapter 21</i> NON-RESIDENTS	 259
I. RESIDENCY DETERMINATION	259
1. Sojourner rule	259
2. Tax treaties	260
3. Residency rulings	261
II. DEPARTURE RULES	261
III. IMMIGRATION	262
IV. TAXATION OF A NON-RESIDENT	262
1. Non-resident withholding tax on passive income	264
(a) Tax reporting	265
V. SUMMARY	265
VI. REFERENCES	266
 <i>Chapter 22</i> CANADIANS WITH U.S. CONNECTIONS	 267
I. U.S. ESTATE TAX	267
1. Overview	267
2. Gross estate	268
(a) Valuation date	269
3. Allowable deductions	269
(a) Deduction for expenses and debts, <i>etc.</i>	269
(b) Charitable deduction	269
(c) Marital deduction	270
4. Tax rates	270
5. Allowable credits	271
(a) Estate tax credit	271
(b) State death taxes	271
(c) Canadian marital credit	271
6. Small estate exemption	273
7. Canadian tax credit for U.S. estate taxes	273
8. Clearance certificates	274
9. Reporting	274
II. U.S. CITIZENS LIVING IN CANADA	275
II. TRADING CANADIAN INVESTMENT ACCOUNTS FROM THE U.S.	276
1. Overview	276
2. Federal exemption for temporary presence	277

TABLE OF CONTENTS

3. Federal exemptions for Canadian Retirement Accounts 278

(a) Exemption from registration for
Canadian broker-dealers 278

(b) Exemption from registration for foreign securities offered for
sale 281

(i) Rule 237 under the Securities Act 281

(ii) Rule 7d-2 under the Investment Company Act 281

4. State securities regulations 282

III. FORM W-8BEN AND WITHHOLDING ON U.S. SOURCE IN-
VESTMENT INCOME 282

PART V — INVESTING STRATEGIES

Chapter 23 **INCOME SPLITTING** 287

I. THE ATTRIBUTION RULES 287

1. Income (and losses) from property transferred
or loaned to a spouse or minor 288

2. Capital gains (and losses) realized on
property transferred or loaned to a spouse 288

(a) Property 289

(b) Income from property 290

(c) Losses from property 290

(d) Income-on-income exemption 290

(e) Transfers of property 291

(f) Commingled funds 291

(g) Loans of property 292

(h) Transfers and loans prior to marriage 292

(i) Marriage breakdown 292

(j) Minors attaining majority 293

(k) Transfers and loans prior to attaining residency 293

(l) Indirect loans or transfers 293

(m) Substituted property 293

(n) Turning attribution off 294

(o) Debt repayment 295

(p) Capital gains exemption 295

(q) Exception for fair market transfers and
commercial loans 296

3. Transfers and loans of property to trusts 298

4. Transfers and loans of property to corporations 298

(a) Deemed interest 299

(b) Interest offsets 299

(c) Outstanding amount 299

TABLE OF CONTENTS

(d) Purpose test	300
(e) Marriage breakdown	300
5. Back-to-back loans and transfers	300
6. Loan guarantees	301
7. Reversionary and revocable trusts	301
(a) Reversion of property	301
(b) Beneficiaries to be determined	302
(c) The requirement for consent	302
8. Interest-free or low-interest loans	303
9. Indirect payments and transfers of rights to income.....	305
10. Short-term spousal RRSP contributions.....	305
11. Split income tax (TOSI).....	306
II. INCOME SPLITTING STRATEGIES	310
1. In-trust-for (ITF) accounts	312
2. Anti-avoidance rule.....	313
III. SUMMARY.....	314
IV. REFERENCES.....	315
<i>Chapter 24</i> BORROWING TO INVEST	317
I. INTEREST DEDUCTIBILITY	317
1. Paid or payable	317
2. Legal obligation to pay	318
3. Income-earning purpose	318
(a) Income from a business or property.....	318
(b) The tracing rule.....	319
(c) Rearranging financial affairs to make interest deductible.....	320
(d) The source of income ceases to exist.....	321
II. OTHER RESTRICTIONS AND LIMITATIONS.....	322
III. SUMMARY.....	323
IV. REFERENCES.....	323
<i>Chapter 25</i> SHORT-SELLING AND HEDGES	325
I. SHORT-SELLING.....	325
1. Securities lending arrangements	326
II. HEDGES	327
1. Income account or capital account.....	327
2. Timing of gains and losses	328
(a) Capital account.....	328
(b) Income account	328
(c) Income splitting hedge strategies.....	328
III. SUMMARY.....	329

TABLE OF CONTENTS

IV. REFERENCES..... 330

PART VI — REGISTERED PLANS

Chapter 26 **REGISTERED RETIREMENT SAVINGS PLANS**

(RRSPS) 333

I. GENERAL 333

II. TAXATION OF AN RRSP 334

1. Part I tax — tax on income 334

2. Part X.1 tax — excess contributions 335

3. Part XI tax — foreign property 335

4. Part XI.1 tax — non-qualified investments 336

III. CONTRIBUTIONS AND DEDUCTIONS 336

1. RRSP deductions 336

2. Carryforward of undeducted contributions 337

3. Designated transfers 338

4. Spousal contributions 339

5. Over-contributions 339

(a) Part X.1 penalty tax 341

IV. DIRECT TRANSFERS FROM RRSPS 341

V. TAXATION OF BENEFITS 342

1. Benefits received before maturity 342

2. Benefits received after maturity 343

3. Spousal plan withdrawals — anti-avoidance 343

4. Transfers of property to/from an RRSP 345

5. Acquisition of non-qualified investments and
pledging plan assets as security 345

6. Deregistration of an RRSP 346

VI. PLAN MATURITY AND RETIREMENT INCOME 346

1. Locked-in RRSPs (or LIRAs) 348

2. Income splitting 349

VII. DEATH OF AN ANNUITANT 349

1. Refund of premiums 350

(a) Election to deem a refund of premiums 351

(b) Limitation on deduction available to
deceased annuitant 351

2. Spouse becomes annuitant 352

(a) Election to become the annuitant 353

3. Tax-paid amounts 353

4. Other payments to beneficiaries 354

5. Direct designations to qualified donees 355

6. Post-death decrease in the FMV of RRSP property 355

TABLE OF CONTENTS

VIII. DEFINITIONS	356
1. Annuitant	356
2. Benefit	357
3. Earned income	357
4. Foreign property	358
5. Issuer	359
6. Maturity	359
7. Non-qualified investment	360
8. Pension adjustment reversal (PAR)	360
9. Premium	360
10. Qualified investment	360
11. RRSP deduction limit	361
12. RRSP dollar limit	362
13. Refund of premiums	363
14. Retirement income	363
15. Spousal plan	364
16. Tax-paid amount	364
17. Unused RRSP deduction room	364
18. Definitions — Part X.1 penalty tax	365
(a) Cumulative excess amount	365
(b) Undeducted RRSP premiums	365
(c) Group RRSP amount	366
(d) Qualifying group RRSP premium	367
(e) Qualifying arrangement	367
(f) Transitional amount	368
IX. REFERENCES	368

Chapter 27 REGISTERED RETIREMENT INCOME FUNDS

(RRIFS)	371
I. GENERAL	371
II. TAXATION OF A RRIF	372
1. Part XI tax — foreign property	373
2. Part XI.1 tax — non-qualified investments	373
III. PLAN INCOME AND BENEFITS	373
1. Income splitting	374
IV. CONTRIBUTIONS	374
1. Life income funds (LIFs) and locked-in retirement income funds (LRIFs)	375
V. TAXATION OF BENEFITS	376
1. Spousal plan withdrawals — anti-avoidance	376
2. Transfers of property to/from a RRIF	377

TABLE OF CONTENTS

3. Acquisition of non-qualified investments and pledging plan assets as security.....	378
VI. DEATH OF AN ANNUITANT	378
1. Direct designations to qualified donees	380
2. Post-death decrease in the FMV of RRIF property.....	380
VII. DEFINITIONS	381
1. Annuitant.....	381
2. Carrier.....	382
3. Designated benefit	382
4. Minimum amount	382
5. Qualified investment	384
VIII. REFERENCES.....	384
<i>Chapter 28 REGISTERED EDUCATION SAVINGS PLANS (RESPS)</i>	385
I. GENERAL	385
II. BENEFICIARIES	385
III. CONTRIBUTIONS.....	386
1. Part X.4 penalty tax — over-contributions	387
2. Canada education savings grants	387
3. Canada Learning Bond.....	388
4. Death of a subscriber	388
IV. BENEFITS	388
1. Educational assistance payments (EAPs).....	389
(a) Post-secondary educational institution.....	389
(b) Qualifying educational program	390
2. Refund of payments.....	390
3. Payments to designated educational institutions	391
4. Accumulated income payments (AIPs).....	391
(a) Part X.5 tax	392
V. INVESTMENTS	392
VI. TRANSFERS BETWEEN PLANS.....	393
VII. TAXATION OF AN RESP	393
VIII. REFERENCES.....	393
<i>Chapter 29 DEFERRED PROFIT SHARING PLANS (DPSPS)</i>	395
I. GENERAL	395
II. INVESTMENTS OF A DPSP.....	396
III. TREATMENT OF THE EMPLOYER.....	396
IV. TREATMENT OF THE EMPLOYEES	397
1. Tax treatment.....	397
2. Purchase of an annuity.....	398

TABLE OF CONTENTS

3. Inter-plan transfers	398
4. Shares of the employer.....	398
V. REFERENCES.....	399
<i>Chapter 30 TAX-FREE SAVINGS ACCOUNTS (TFSAS)</i>	401
I. GENERAL	401
II. CONTRIBUTIONS.....	402
III. DISTRIBUTIONS	403
IV. INVESTMENTS	404
V. TRANSFERS BETWEEN PLANS.....	405
VI. TAXATION OF A TFSA.....	405
1. Part I tax — tax on income	405
2. Tax on excess contributions.....	406
3. Tax payable on non-resident contributions	406
4. Tax payable on prohibited or non-qualified investment.....	407
5. Tax payable on an advantage.....	408
VII. DEATH OF A HOLDER	408
1. Deemed disposition.....	408
2. Exempt contributions	409
3. Direct designations to qualified donees	409
Appendix A — PERSONAL TAX RATES, 2019.....	411
Appendix B — QUALIFIED INVESTMENTS OF REGISTERED PLANS	416
Appendix C — FOREIGN ACCRUAL PROPERTY INCOME (FAPI).....	427
<i>Index</i>	431