

Definitions

Advantage – an advantage is any benefit or debt that is conditional on the existence of the registered plan, subject to certain exceptions for normal investment activities and conventional incentive programs.

An advantage also includes any benefit that is an increase in the total fair market value (FMV) of the property of the registered plan that is reasonably attributable to any one of the following:

- a transaction or event (or series) that would not have occurred in a normal commercial or investment context between arm's length parties acting prudently, knowledgeable, and willingly, and one of the main purposes of which is to benefit from the tax-exempt status of the plan
- a payment received in substitution for a payment for services rendered by the controlling individual (or non-arm's length person) or for a return on investment on non-registered property
- a **swap transaction**
- **specified non-qualified investment income** that has not been paid from the registered plan within 90 days of the controlling individual receiving a notice from CRA requiring removal

An advantage also includes a registered plan strip, or any benefit that is income or a capital gain that is reasonably attributable to one of the following:

- a **prohibited investment**
- an artificial diversion of an amount away from a **registered plan**
- a deliberate over-contribution to a TFSA

For more information on advantages, see Income Tax Folio S3-F10-C3, Advantages – RRSPs, RESPs, RRIFs, RDSPs and TFSAs.

Controlling individual – a controlling individual is as follows:

- the holder of a TFSA
- a holder of an RDSP
- a subscriber of an RESP
- the annuitant of a RRIF or RRSP

Prohibited investment – this is property to which the controlling individual is closely connected. It includes:

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

A prohibited investment does not include a mortgage loan that is insured by the Canada Mortgage and Housing Corporation or by an approved private insurer. It also does not include certain investment funds and certain widely held investments which reflect a low risk of self-dealing. For more information, see Income Tax Folio S3-F10-C2, Prohibited Investments – RRSPs, RESPs, RRIFs, RDSPs and TFSAs.

Registered plan – Registered plan means an RDSP, RESP, RRIF, RRSP or TFSA.

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

Swap transaction – this is any transfer of property between the registered plan and its controlling individual (or non-arm's length person). Exceptions are provided for contributions to and distributions from the plan, purchase and sale transactions between an individual's two plans with the same tax attributes (for example, RESP to RESP or RRSP to RRSP/RRIF) and transactions relating to insured mortgages. For more information on swap transactions and applicable transitional rules, see Income Tax Folio S3-F10-C3, Advantages – RRSPs, RESPs, RRIFs, RDSPs and TFSAs.

RRIF, RRSP, RESP or RDSP Mailing address:

Pension Workflow Team
Canada Revenue Agency
PO Box 20000, Station A
Sudbury ON P3A 5C1

OR

Pension Workflow Team
Canada Revenue Agency
PO Box 14000, Station Main
Winnipeg MB R3C 3M2

TFSA Mailing address:

TFSA Processing Unit
Canada Revenue Agency
PO Box 20000, Station A
Sudbury ON P3A 5C1

OR

TFSA Processing Unit
Canada Revenue Agency
PO Box 14000, Station Main
Winnipeg MB R3C 3M2