

Understanding Tax Slips from Your Investment Accounts

Like most income earned in Canada, most investment income and capital gains on investments are taxable. The tax payable on investments varies by the type of investment and the type of account the investment is held in. This article provides a high-level summary of the more common tax slips, income tax reporting requirements and some planning tips.

Common Tax Slips for Investment Accounts

Registered Plans

Tax Slip	Description
RRSP Contribution Receipts	Shows personal and spousal contributions made to an RRSP
T4RSP	RRSP withdrawal
T4RIF	RRIF or LIF withdrawal
T4A	RESP withdrawal
Note: TFSAs are not taxable thus no tax slips are issued	

Non-Registered Accounts

Tax Slip	Description
T5	Shows interest and dividends earned on holdings during the past year.
T3	Shows income allocated during the past year from Trust Units.
T5013	Shows income or losses reportable during the past year from Limited Partnership Units
T5008	Shows redemption proceeds for investments or sold to assist with calculating capital gains/losses during the past year.

Registered Retirement Savings Plans (RRSPs)

We can describe RRSPs as being both tax sheltered and tax deferred. You can deduct your RRSP contributions from your earned income each year until the year that you turn 71 (or if your spouse is younger than you, the year they turn 71 if you are contributing to a spousal RRSP). The money earned on your RRSP investments is not taxed while it stays in the plan. RRSPs do not generate any tax slips related to annual investment earnings, rather slips are issued for any contributions and withdrawals. You will receive a *RRSP Contribution Receipt* for any contributions made in the calendar year, allowing the full amount to be deducted from your taxable income up to your available deduction limit. For contributions made in the first 60 days of the following year, you will receive a separate *RRSP Contribution Receipt* for each contribution. Any withdrawals are fully taxed as income. You will receive a *T4RSP* for the exact amount withdrawn from a RRSP. If you do not contribute to or make a withdrawal from an RRSP during the year you will not receive a slip.

Registered Retirement Income Funds (RRIFs)

A RRIF is essentially a continuation of an RRSP as in most cases you just keep the same investments you had in your RRSP and simply transfer them. The difference is you may not make any new tax-deductible contributions to a RRIF and you must receive at least a minimum amount from your RRIF beginning the year after you open it. Like RRSPs, RRIFs are tax sheltered and tax deferred. While you do not pay tax on the annual investment earnings in your RRIF, the full amount of any RRIF withdrawals are reported as taxable income on a *T4RIF*. Once you convert your RRSP to a RRIF, you can expect to receive an annual *T4RIF*.

Tax-Free Savings Account (TFSA)

Relatively new as a type of account, TFSAs started in 2009 and provide Canadians with a variety of financial planning and income tax benefits. The important thing to remember about TFSAs is that you will not receive a tax slip for this account. However, you should be careful not to overcontribute as that can result in expensive penalties. It doesn't matter if you contribute, withdraw, earn 15% or lose 20%, the investment earnings (or losses) in your TFSA are not taxable.

Non-Registered Accounts

Sometimes referred to as an Open or a Cash account, this is a regular investment account. It doesn't have any special income tax deferral benefits. Unlike RRSPs, RRIFs, and TFSAs, Cash accounts can be held in joint name. This allows the taxable income to be split among the account owners generally according to the amount they have contributed to the account. There are a variety of tax slips generated by Cash accounts with the *T5008*, *T5013*, *T3* and *T5* being the most common. The *T5008* or "Statement of Securities Transactions" lists every sale or disposition of investments that occurred in the year. You use the *T5008* to report the capital gains (or losses) triggered by those transactions, sometimes there will be an accompanying gain/loss report with a *T5008*. *T5008s* are only issued if there are dispositions to report. *T5013s* are issued for limited partnership investments. *T3s* and *T5s* report income from various funds, pools, trusts, GICs, stocks and bonds. Mutual funds can generate *T3s* or *T5s* depending on their structure. The Alitis pools (other than the Alitis Private Real Estate Limited Partnership) generate *T3s*. "Unrealized" growth in the pools such as an increase in the value of investments that have not been sold, is not taxable, thus only part of the total return of your investment account is reported on these slips. Tax slips for non-registered accounts do not report your investment return for the year, they only show the taxable portion of it. Because of the timing of transactions and your ownership in the pool during the year, it is possible to have income reported on a tax slip when there was a negative total return for the year.

Registered Education Savings Plans (RESPs)

RESPs are also tax sheltered and tax deferred. However, there is no deduction available for contributing to a RESP, so they do not have contribution receipts. A T4A is generated when withdrawals are made from the account. This tax slip reports the accumulated investment growth and the government grant money that is paid out in each withdrawal. Both the grants and the growth are taxable to the RESP beneficiary (the student). This generally works to the family's advantage as their child, now a student in post-secondary school, is likely to be in a low to nil tax bracket when they make their withdrawals.



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