

*Information Sheet*  
**Pension Income Splitting**

Beginning with the 2007 tax year, Canadian residents will be allowed to allocate any amount up to 50% of their eligible pension income to their resident spouse or common-law partner.

The amount allocated is deducted when determining the net income of the person who actually received the pension income, and then added to the net income of the spouse or common-law partner. Pension splitting affects the calculation of income and tax payable for both persons, so they must both agree to the allocation in their tax returns for the year in question by filing Canada Revenue Agency's (CRA) form [T1032 – Joint election for pension splitting](#) with the tax return.

**ELIGIBLE PENSION INCOME**

For taxpayers who are 65 or older in the year:

- Life annuity payments from a superannuation or pension plan, including life income funds (LIFs) and locked-in retirement income funds (LRIFs)
- Payments from a Registered Retirement Income Fund (RRIF)
- Annuity payments from a Registered Retirement Savings Plan (RRSP) or from a deferred profit sharing plan (DPSP)
- Certain payments on the termination or winding-up of a DPSP
- Regular annuities and Income Averaging Annuity Contracts (IAAC) reported in box 24 of a T4A or box 19 of a T5

For taxpayers who are less than 65 for the entire year:

- Life annuity payments from a superannuation or pension plan, including LIFs and LRIFs
- Payments from a RRIF or annuity payments from an RRSP or DPSP that were received as a result of the death of a spouse or common law partner

**INELIGIBLE PENSION INCOME**

- Old Age Security or Canada Pension Plan benefits
- Death benefits
- Retiring allowances
- RRSP withdrawals other than annuity payments
- Payments from salary deferral arrangements, retirement compensation arrangements, employee benefit plans, or employee trusts
- Quebec Pension Plan or Saskatchewan Pension Plan benefits

If both spouses or common-law partners are in the same tax bracket, pension splitting may not provide the benefit of a reduction in the marginal tax rate. It may still be beneficial, however, if it creates or increases a pension tax credit for the transferee. There is a federal pension income tax credit on the first \$2,000 of eligible pension income.

## MISCELLANEOUS

- It is not necessary to contact the payer of the pension. Splitting eligible pension income does not have any effect on how or to whom the pension income is paid, so it does not involve the payer of the pension. Information slips will be prepared and sent to the recipient of the pension income in the same manner as in previous years.
- The income tax that is withheld at source from the eligible pension income will have to be allocated from the pensioner to the spouse or common-law partner in the same proportion as the pension income is allocated.
- The CRA cannot approve a reduction of tax withheld at source based on an election to split pension income.

Please call us at 905-898-4900 if you have any questions regarding the above