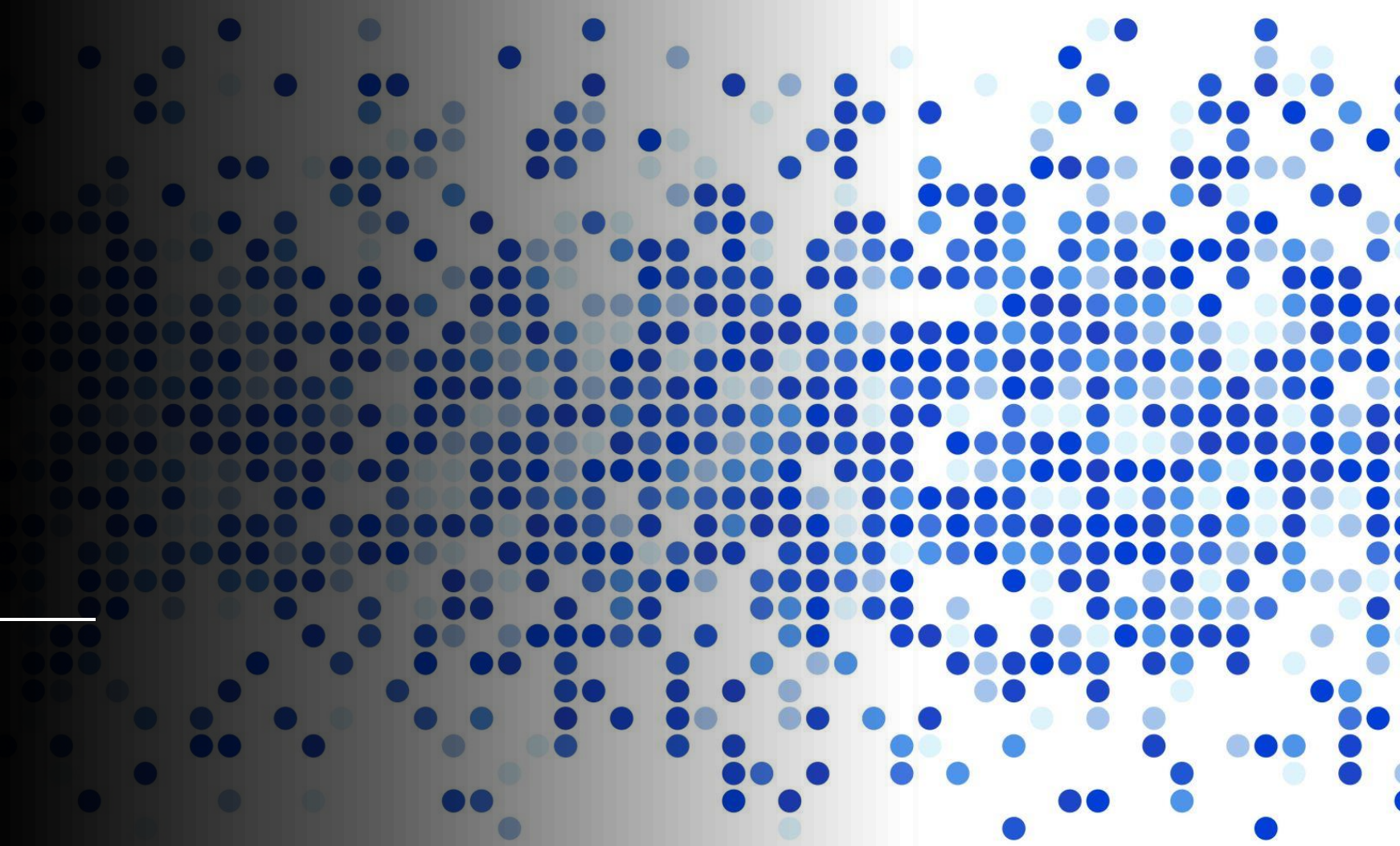





Disability Tax Credit & Registered Disability Savings Plan Presentation



DISABILITY TAX CREDIT

CRA YouTube Video



What is the Disability Tax Credit?

- A non-refundable tax credit that helps persons with disabilities or their support persons reduce the amount of income tax they may have to pay.

Non-refundable tax credits

These credits reduce the federal tax you have to pay. However, if the total of these credits is more than the tax you have to pay, you will not get a refund for the difference.

Non-refundable tax credits

- There are many non-refundable tax credits including the basic amount, age amount (65 and older) and the disability tax credit.
- The total of the non-refundable tax credits for an individual is multiplied by 15% to determine your total amount available to reduce your tax owing.

- NRTC Tax Form

BC non-
refundable tax
credit

All individuals are allowed a personal amount of income that is not subject to tax. In 2019, the personal amount was \$12,069.

15% of the total amount of the personal amount can be used to reduce your federal income tax that you owe.

$$15\% \times \$12,069 = \$1,810.35.$$

Example: You earn \$39,000 and you owe \$5,850 in federal tax. You can deduct the non-refundable tax credit of \$1,810.35. You therefore owe \$4,039.65 in federal tax.

The disability tax credit allows an individual to claim an additional non-refundable tax credit of \$8,416.

$\$8,416 \times 15\% = \$1,262.40$ of tax savings

The disability amount can be claimed once an individual is eligible for the disability tax credit.



Am I eligible?

A qualified medical practitioner must certify that the applicant has a severe and prolonged impairment in mental or physical functions.

A severe impairment means you are either:

1. Restricted severely in one basic activity of daily living: vision, speaking, feeding/preparing food, hearing, walking, eliminating (bowel or bladder functions), dressing and mental functions necessary for everyday life
 2. Restricted somewhat in two or more activities (noted above)
 3. In need of life sustaining therapy to support a vital function at least three times a week, at an average of 14 hours per week.
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Disability Tax Credit Certificate (Form T2201)

- [Disability Tax Credit Certificate Form T2201](#)



Talking with your Medical Practitioner

- Eligibility for the DTC is based on the effects of your impairment, not on the medical condition itself.
- Communicate with specific examples what the effects of your disability have on your daily life. This helps them to complete part 2 of the DTC Certificate.



Notice of Determination

- It may take a few months for CRA to review your application and make a decision.
- If you are approved, it will indicate the years for which you are approved ie: 2018-2020
- If you are declined, you may provide additional information, or go through an appeal process

Canada Worker Benefit

You may be able to claim the Canada Workers Benefit (CWB). The CWB is for low-income individuals and families who earned income from employment or business. The CWB consists of a basic amount and a disability supplement. The maximum benefit is \$1,355 for single individuals if income is less than \$12,820. The maximum payment for the disability supplement is \$700, which is gradually reduced when net income is more than \$24,111.

You may be able to claim a CWB disability supplement if you meet both of the following criteria:

- You are eligible for the DTC.
- You had working income over \$1,150 in the year.
- It is not available to full time students



Additional Information

Can be claimed retroactively up to 10 years

Can be transferred to family members or care givers

Helps individuals access other tax benefits

Qualifies you for the RDSP

RC4064-Disability Related Information



REGISTERED DISABILITY SAVINGS PLAN



What is the RDSP?



The RDSP is a **long-term savings plan** to help Canadians with disabilities and their families save for the future.

You should consider opening an RDSP if you have a long-term disability and are looking for a long-term savings plan



What is the RDSP

- Not tax deductible like RRSP
- Similar to Registered Education Savings Plan
- Does not affect any federal disability benefits or most provincial benefits
- You can have up to \$200,000 in personal contributions and can receive up to \$90,000 in government contributions plus interest earned.



Eligibility

- Must have the Disability Tax Credit
- Be a resident of Canada and have a social insurance number
- Plan must be open before the end of the calendar year in which the beneficiary turns 59



Video on the RDSP

- [RDSP-Start Saving for the Future](#)

Holder of the RDSP

- The holder of the RDSP is the person that opens and manages the RDSP.
- For beneficiaries over the age of majority, the holder is generally the beneficiary. In certain circumstances, a guardian, legal representative or public department may be eligible to become the holder



Contributions

- You may contribute any amount to your RDSP each year, up to the lifetime contribution limit of \$200,000.
- With written permission from the RDSP holder, anyone may contribute to the RDSP.




Video on the Grants and Bonds

- [Grants and Bonds-Module 2](#)

Canada Disability Savings Grant

- The grant is an amount that the Government of Canada pays into a registered disability savings plan (RDSP). The Government will pay matching grants of 300%, 200%, or 100%, depending on the beneficiary's family net income and the amount contributed.
- You must file an income tax return for two years prior, and continue to file every year



An RDSP can get a maximum of \$3,500 in matching grants in one year, and up to \$70,000 over the beneficiary's lifetime. A beneficiary's RDSP can receive a grant on contributions made until December 31 of the year in which the beneficiary turns 49.



Amount of Grant

The amount of the grant is based on the beneficiary's family net income as follows:

Amount of CDSG grant when family income is \$97,069 or less:

- on the first \$500 contribution—\$3 grant for every 1 dollar contributed, up to \$1,500 a year.
- on the next \$1,000 contribution—\$2 grant for every 1 dollar contributed, up to \$2,000 a year.

Amount of CDSG grant when family income is more than \$97,069:

- on the first \$1,000 contribution—\$1 grant for every 1 dollar contributed, up to \$1,000 a year.

Canada Disability Savings Bond

- For low to modest incomes and does not require personal contributions
- Up to \$1,000 each year to a lifetime maximum of \$20,000
- Annual income less than \$31,711 \$1,000 bond money /yr
- Earnings between \$31,711 and \$48,535 up to \$1,000 on a prorated basis
- Over \$48,535 is nil

Retroactive Grants and Bonds

- Once DTC is approved, you may contribute for prior years
- Grant amounts can be received by making contributions for previous years
- Can only access until the end of the year in which the beneficiary turns 49
- Government will put in a max of \$10,500 in any one year for the grant and up to \$11,000 for the bonds

How to Set up the RDSP

- Available at most major financial institutions
- Some private investment firms
- The Application must be submitted by the financial institution to the government upon receipt from the holder of the Registered Disability Savings Plan.
- The financial institution will receive the funds directly from the government and deposit them into the savings plan.

RDSP Investment Options

- Like other registered plans (RESP, RRSP, and TFSA), RDSP funds can be invested in a variety of investment products including Guaranteed Investment Certificates (GICs), mutual funds, stocks, savings etc.
- Like the RRSP, income earned on an RDSP is tax sheltered until withdrawal.

RDSP Withdrawals




- Restricted-there are penalties for dipping into the fund
- Intended to be a 30 plus year savings plan
- The grant and bond are intended to encourage savings and should remain in an RDSP for at least 10 years.



RDSP Withdrawals

- Withdrawals can be made from an RDSP in the form of Lifetime Disability Assistance Payments (LDAP) or Disability Assistance Payments (DAP). Withdrawals can generally start at any time, however, there is a 10-year repayment rule
- LDAP's are paid out as a regular income and must be paid out at least annually when a beneficiary becomes 60 years or older.
- DAP's are lump-sum payments made to the beneficiary.

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- Payments made out to beneficiaries include both contributions, grant money, and investment income earned on the account. Although contributions are not taxable, investment income earned plus CDSG and CDSB must be included in the beneficiary's income tax return.

10-year repayment rule:

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- Government grant or bond deposited within 10 years of withdrawal may need to be repaid – \$3 of grant and/or bond must be repaid for every \$1 withdrawn. This means that if you want to keep all of the government's grants and bonds, you must delay withdrawing from the plan for at least 10 years after the deposits were made to the RDSP.

Beneficiary no longer eligible for DTC

- While a beneficiary is DTC-ineligible No contributions can be made to the plan
- The beneficiary is not eligible to receive grants and bonds, nor will entitlements accrue during any period where the beneficiary remains DTC-ineligible;

Beneficiary no longer eligible cont.

- Withdrawals will be permitted, but will trigger repayment of \$3 in grant and bond for every \$1 withdrawn from an RDSP
- Each year after the year in which the beneficiary turns 50 years of age, a declining amount of grants and bonds will have to be repaid, until the beneficiary turns 60 when it becomes nil.

Closure of an RDSP

Grants and Bonds in the RDSP for less than 10 years, or the fair market value of the RDSP, whichever is the lesser, must be repaid to the Government if:

- the plan is closed;
- the beneficiary passes away