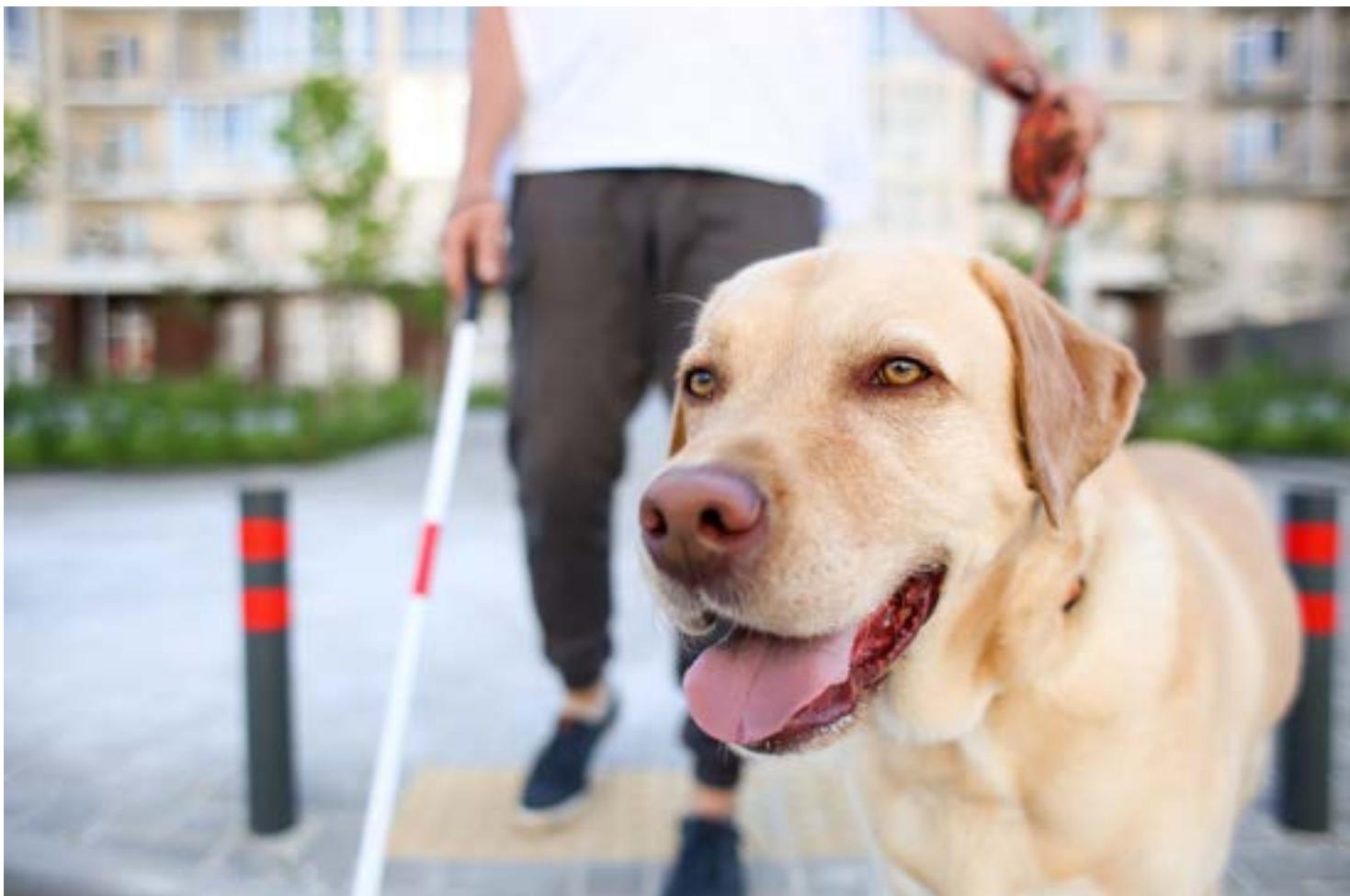


A Simplified Guide to the Disability Tax Credit (DTC) and Registered Disability Savings Plan (RDSP)



This guide has been created by Plan Institute as a supplementary resource to our translated RDSP Level 1 webinar. Plan Institute is a national non-profit organization that offers free resources and services designed to empower and assist individuals, families, and organizations to plan for the future and ensure a good life for someone with a disability. To view a complete list of what we offer, go to planinstitute.ca or rdsp.com.

In Canada, there are a variety of federal, provincial, and/or territorial support services and financial benefits to assist people with disabilities and their families. Two of the most important benefits for people with disabilities in Canada are the Disability Tax Credit (DTC) and the Registered Disability Saving Plan (RDSP). This resource will introduce the DTC and RDSP, explain the benefits of these programs, outline the eligibility criteria, and guide you through the process of applying.



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The Disability Tax Credit (DTC)

What is the DTC?

The DTC is a non-refundable tax credit that was created to help with the added costs associated with having a disability. The DTC is also referred to as the T2201 form, which is submitted to and approved by the Canada Revenue Agency (CRA).

The DTC helps by lowering the income tax of an individual with disability or the income tax of an eligible family member. This means that you will receive a reduction in the amount of taxes you have to pay every year, and possibly get a refund if you have paid taxes.

An eligible family member is someone who helps the person with the disability with food, shelter, or clothing on a regular basis. The DTC can be transferred to them if the person approved for the DTC does not pay taxes or does not use the full credit amount. The amount, also referred to as the “disability amount”, changes every year. The 2023 tax year disability amount is \$9,428.



You need to be approved for the DTC in order to be able to open a Registered Disability Savings Plan (RDSP).

The DTC is also retroactive, which means that if someone has been living with a disability for years before they apply, they or their eligible family member can also claim the DTC on their taxes for up to 10 previous years. For example, if they file in 2024, they can put in a claim for the DTC since 2014 if their disability has been present since then. The DTC may be approved for more than 10 years in the past if the disability was present before then, but this does not provide any extra tax benefit.

If you are a parent or guardian of a child who qualifies for the DTC, you can also claim an additional \$5,500 (2023 tax year amount) for the child disability supplement.

After your child is approved for the DTC, you may also be eligible to receive the child disability benefit (CDB), which is a tax-free monthly payment made to families who care for a child under age 18 with a severe and prolonged impairment in physical or mental functions. If you already receive the Canada child benefit (CCB) once your child is approved for the DTC, you will not need to apply for the CDB.

The DTC also provides access to other benefits, including:

For workers:

- Canada Workers Benefit (CWB) Disability Supplement: People with a low income who get most of their money from employment may also receive the Canada Workers Benefit—a refundable tax credit that can increase your yearly tax return. If you have the DTC, you can get up to \$737 as a Disability Supplement on top of the CWB amount.

For caregivers:

- Canada Caregiver Credit (CCC): If you financially support a family member with a physical or mental impairment, you can claim the Canada Caregiver Credit to reduce the taxes you owe. If the person you are supporting is approved for the DTC, you do not need to provide any medical documents to receive the credit.



For those with added health-related expenses:

- **Medical Expenses:** Certain medical expenses, including some prescription therapies and a personalized therapy plan, can only be claimed on your tax return if you have the DTC.
- **Disability Supports Deduction:** If you pay for medical supports to be able to go to work or school, or to do research, you may be able to claim some of these expenses as a Disability Supports Deduction.

For homeowners:

- **Home Buyer's Amount:** People eligible for the DTC do not have to be a first-time home buyer to qualify for the Home Buyer's Amount—a non-refundable credit that allows you to claim up to an additional \$10,000 for a home purchased in the 2022 tax year, which can mean a tax reduction of approximately \$1,500.
- **Home Accessibility Tax Credit:** People who need to make renovations to make their home more accessible can now claim \$20,000, which would provide a tax reduction of up to \$3,000.

For those with trusts:

- If you are setting up a trust for a person who has the DTC, you may be able to change the trust to a "Qualified Disability Trust" or elect the individual with the DTC to the "Preferred Beneficiary" to access lower tax rates.

In addition to the benefits above, it is anticipated that the DTC will play a critical role in determining eligibility for the proposed Canada Disability Benefit. Now, more than ever, it is important to ensure that everyone who is eligible can access the DTC.

Who is eligible for the DTC?

The DTC is a federal credit, meaning anyone in Canada who qualifies can apply for it. There is also no age limit for the DTC and no requirement to be a permanent resident or Canadian citizen. If you meet the eligibility criteria, have a valid temporary or permanent Social Insurance Number (SIN), and file income taxes in Canada, you can apply for the DTC.



The DTC is not related to someone's ability to work or go to school, and it does not depend on their income or assets. To qualify for the DTC, somebody must have a 'severe' and 'prolonged' disability that lasts 'all or substantially all of the time'. These are important terms specific to the DTC and can be understood as follows:

- Prolonged: This means that the condition has lasted or is likely to last at least one year.
- Severe: There are three ways of meeting the criteria for a severe disability under the seven activities of daily living:
 1. A marked restriction: Very restricted in one basic activity of daily living
 - This means the person either can't do the activity, needs a lot of help to do the activity, or takes a lot longer to do the activity than most people (3x as long).
 2. Multiple significant restrictions: Restricted a little less, but in two or more of the activities. The cumulative effect is equal to a marked restriction.
 3. Life-sustaining therapy: In need of therapy that keeps the person alive and takes up a lot of time (2 days per week for an average of 14+ hours per week in therapy)
- All or substantially all of the time: This means that you are unable to complete an activity/activities, or take three times longer than somebody the same age without the impairment to complete it. This is usually required to take place about 90% of the time even with the use of appropriate therapy, devices, and medication. This requirement can be met when combining the effects of multiple significant restrictions.



The activities of daily living are as follows:

- Vision (to claim vision as a marked restriction, you must be legally blind),
- Speaking,
- Feeding (eating and preparing food),
- Hearing (to claim hearing as a marked restriction, you must be deaf or severely hard of hearing in both ears),
- Walking,
- Eliminating (using the toilet),
- Dressing, and
- Mental Functions Necessary for Everyday Life (adaptive functioning, attention, concentration, goal setting, judgement, memory, perception of reality, problem-solving, regulation of behaviour and emotions, verbal and non-verbal comprehension)

How to apply for the DTC

The DTC Application form, also referred to as the T2201 form, can be accessed at the following link or can be requested directly from CRA:

canada.ca/en/revenue-agency/services/tax/individuals/segments/tax-credits-deductions-persons-disabilities/disability-tax-credit.html

You can apply using the paper T2201 form or virtually through a My CRA Account. There is no preference for which version of the form you fill out, however it is important to make sure you save copies of the completed application.

The form is 16 pages long and has two parts:

- Part A is for the person with a disability or their legal representative to fill out. This is the part of the form you will complete yourself.
- Part B is a medical report that must be completed by a medical practitioner.
 - Medical practitioners who can complete this form are:
 - Medical Doctor (all sections)
 - Nurse Practitioner (all sections)
 - Optometrist (vision)
 - Speech Language Pathologist (speaking)
 - Audiologist (hearing)
 - Occupational Therapist (walking, feeding, dressing)
 - Physiotherapist (walking)
 - Psychologist (mental functions necessary for everyday life)

Before seeing a medical practitioner

It is a good idea to prepare for your appointment with your medical practitioner. Even if you are applying for the DTC digitally, it is recommended to book an appointment to go over the application form together to make sure they have a good understanding of how the disability impacts you or the person you support daily.

Disability Alliance BC has created an online DTC tool that can help prepare you and can be accessed at the following link:

<http://disabilityalliancebc.org/dtc-app/>

Some questions that you will want to keep in mind are:

- What sections of the DTC application form do you have restrictions in?
- What are your daily symptoms, and how do those symptoms impact those daily living activities? It is important to provide as much detail as possible so that your medical practitioner and the CRA has all the information needed to make the correct decision. If possible, we encourage you to work with an advocate to prepare.
 - The CRA doesn't care about somebody's ability to work, go to school, manage a bank account, do chores, drive, or participate in recreational activities. To avoid confusion, you should not mention those things in the application.
- How often do your symptoms occur? It is also important to note symptoms that you can't plan for, such as flare-ups in pain or reactions to medication and treatments. To qualify, the CRA requires that you are restricted in one or more activities, all or substantially all of the time. Remember that "restricted" could either mean you cannot perform the activity or that it takes you significantly longer to do it.

Fees

Please note that some medical practitioners will charge a fee to complete the DTC form for you. If you cannot afford a fee, some medical practitioners may be willing to reduce or waive it if you request it due to your situation.

There are also for-profit companies that will charge you to help you apply for the DTC, often taking a portion of the money you receive from CRA after the DTC approval. This could mean you pay hundreds or thousands of dollars for this service. If you need help to apply for the DTC, we encourage you to look for a non-profit organization, like Disability Alliance BC, that will not charge you to help with your application.

Where to send the application

- Paper application form: Send the completed application to your nearest tax centre. The last page of the application form includes the mailing information for the three tax centres in Canada which are in Manitoba, Ontario, and Quebec.
- Digital application form: You can complete Part A of the DTC application online on your My CRA Account before or after the medical practitioner completes Part B. However, you will need to provide the medical practitioner with a reference number that you receive after completing Part A of the application online. They will need to submit the reference number with their portion of the form.



After you apply

Once the CRA has received your application, it will take 3-4 months for the CRA to make a decision. They may send a follow up questionnaire to the medical practitioner if they have any questions about your application. Medical practitioners should present consistent information on this questionnaire that matches what was already submitted.

When the CRA has made their final decision, they will send you a Notice of Determination letter which will tell you whether the application is approved or denied. If it is denied, it could be because you are ineligible, or it could be because there are inconsistencies or missing information in the application. Even if the application is denied, you can appeal the decision and request a reassessment by adding supporting medical information. If that doesn't work, you can also submit a formal objection to the Chief of Appeals or to Tax Court, although usually providing additional information is enough.

If the application is approved, it may be approved for the current year as well as past years and future years. It is typical to get a DTC approval for 5 or 10 years into the future, so you will likely need to reapply throughout your life. Please note, the CRA will generally only approve individuals for the DTC for the years they have spent living in Canada, even if their disability existed before they moved here.

Once someone has been approved for the DTC, they are eligible to open a Registered Disability Savings Plan account.

The Registered Disability Savings Plan (RDSP)

What is the RDSP?

The RDSP is a federal government plan which takes the form of a long-term investment account. For people with disabilities it can be one of the best options to begin saving for the future. The RDSP does not affect eligibility for any federal benefits and most provincial or territorial benefits.

You can have up to \$200,000 in personal contributions in the RDSP, up to \$90,000 in government contributions, and unlimited investment income – all while protecting most of your other benefits. The RDSP is also tax deferred, meaning that you don't pay tax on the RDSP while money is being saved. When it's time to take withdrawals, only the portion that is made of up investment income, government grants and bonds, and proceeds from a rolled over amount will be taxed.

The RDSP:

- Provides a powerful vehicle for saving and investing
- Permits family and friend contributions without risking most disability or income benefits
- Allows freedom for the beneficiary to determine how best to spend the money
- Contributes to a good life when used along with other future planning tools



Eligibility criteria

To open an RDSP, somebody must:

- Be a resident of Canada for tax filing purposes
- Have a valid Social Insurance Number (SIN) for the beneficiary and the holder (the person who will manage the RDSP - could be the same person as the beneficiary)
- Open the RDSP before the end of the year they turn 59 (before the end of the year they turn 49 to receive government contributions)
- Be approved for the DTC



Beneficiaries and holders in an RDSP

Every RDSP must have a beneficiary and a holder:

- Beneficiary: The person who qualifies for the DTC and will eventually receive the money in the RDSP
- Holder: The person responsible for managing the RDSP

The beneficiary and holder can be the same person, and you can often have more than one holder on the RDSP at a time.

- Holder options:
 - For a beneficiary who is a minor: Parents or legal guardians set up the plan and have the option to remain as sole or co-holder once the beneficiary is an adult.
 - For a beneficiary who is an adult: Who can be holder will depend on the beneficiary's contractual competency, meaning their ability to understand and enter into legally binding contracts such as the RDSP and to understand the consequences of breaking the contract.
 - For an adult who has full contractual competency, they will be the holder of their own RDSP.
 - For an adult whose contractual competency is in question, they can have a Qualifying Family Member (QFM) act as holder. Currently a QFM can be a spouse or common-law partner, parent, or adult sibling of the beneficiary.
 - For an adult who does not have contractual competency, the holder must be their legal representative.

Grants and bonds

One of the reasons the RDSP is such a great savings tool is that the beneficiary can receive up to \$90,000 in free contributions from the federal government up until December 31st of the year in which they turn 49. These contributions are known as the Canada Disability Savings Bond and the Canada Disability Savings Grant.

Canada Disability Savings Bond (bond)

Eligible individuals can receive up to \$1,000 per year through the bond, up to a maximum of \$20,000. The beneficiary can receive these just by having the RDSP open, which makes it a great way for people with lower incomes to start saving for their future.

Canada Disability Savings Grant (grant)

Through the grant, the government will match up to \$3 for every \$1 contributed to the RDSP. Beneficiaries may be eligible to receive up to \$3,500 in grants per year, for a maximum of \$70,000. To receive this, you would need to deposit \$1,500/year or \$125/month.

Eligibility for the bond and grant is based on net family income. Income thresholds for grants and bonds change every year. For current thresholds, visit the RDSP tutorial section on grants and bonds at the following link

rdsp.com/rdsp-tutorial/

There is also the possibility of catching up on grants and bonds up to 10 years in the past if DTC eligibility went back that far, but the age limit (up to December 31st of the year the beneficiary turns 49) still applies.



File your taxes!

It is important to file your taxes as these will be used to calculate the grants and bonds you may be eligible to receive. If no income tax return is filed, the government will assume that you are a high-income earner, and you will receive no bond and only the lowest matching grant amount.

For a beneficiary who is in the year they turn 18 and younger, their legal guardians' combined net income will be used to calculate grants and bonds. Once the beneficiary is in the year they turn 19, their own net income will be used. This means that you will want to start filing taxes for your teenager no later than the year they turn 17 so that once they're 19 the government will provide the correct amount of grants and bonds.

How to open an RDSP

Most financial institutions now offer the RDSP. There are also independent financial professionals that can open an account for you, and they usually offer home or electronic/virtual visits to set up an RDSP.

To find where and with whom you would like to open your RDSP you will need to do some research. Some key considerations are convenience, fees, RDSP knowledge, lump sum payment options after age 60, investment options, and accessibility.

If you aren't sure where to start, it may help to look at where you currently do your banking and see if they offer an RDSP. You can also ask your trusted family members, friends, and colleagues where they have their investments held and see if they can recommend an advisor who is knowledgeable on RDSPs.

Once you have decided where you want to open your RDSP, you will want to make an appointment. You will require one or two appointments, and these appointments usually range between 30-60 minutes.

If you open your RDSP and aren't happy with how it's being managed, you can transfer your RDSP to a different financial institution. To do this you would start the process with the new financial institution who will then coordinate with the existing RDSP issuer to transfer the account. Make sure you do not close your RDSP and open a new one elsewhere because you may have claw backs on grants and bonds by doing that.



Taking money out

Withdrawals from the RDSP can be complicated – if you would like help understanding what options are available to you, we encourage you to contact one of our helpline advisors at 1-844-311-7526 or info@rdsp.com.

Here are some important considerations when thinking about withdrawals:

- The RDSP is meant to be a long-term savings plan, and mandatory withdrawals must start no later than the end of the year the beneficiary turns 60.
- Earlier withdrawals are possible and will be dependent on your situation. You should be aware of the Proportional Repayment or 10-Year Rule which says that if any grants or bonds have been deposited within the last 10 years, any withdrawal from the RDSP will cause a repayment of those at a rate of \$3 for every \$1 you take out.
 - Grants and bonds that have been in the account for 10+ years are considered vested, meaning that they are the property of the beneficiary. However, these still cannot be accessed without penalty if other grants and bonds have been deposited within 10 years of the date of withdrawal.
- If possible, it is beneficial to deposit more money into the RDSP than the government before making withdrawals. Having a higher personal contribution provides greater flexibility and control. For example, if the government has put in more money, you will generally be restricted to a maximum withdrawal amount of 10% of the RDSP per year.
- Withdrawals must always go to the beneficiary of the RDSP. There are no restrictions on what the money can be spent on.
- Beneficiaries who have a shortened life expectancy (certified 5 years or less by a medical practitioner) can access the funds more easily.

More Resources

DTC Resources:

- Disability Planning Helpline Service
1-844-311-7526
info@rdsp.com
 - To request support in a language other than English, please include information about this in your voicemail or email.
- DTC Help Sheet
disabilityalliancebc.org/hs14/
- DTC Tool
disabilityalliancebc.org/dtc-app/
- Guide to the DTC and RDSP for Newcomers (12 languages)
aaisa.ca/toolkit/guide-dtc-rdsp-for-newcomers-with-disabilities/
- Tax-Related Benefits of the DTC - Blog Post:
rdsp.com/2023/03/23/tax-related-benefits-of-the-disability-tax-credit/
- Disability Benefit Compass
disability.benefitswayfinder.org/
- Government of Canada DTC Information
canada.ca/en/revenue-agency/services/tax/individuals/segments/tax-credits-deductions-persons-disabilities/disability-tax-credit.html

More Resources

RDSP Resources:

- Disability Planning Helpline Service
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info@rdsp.com
 - To request support in a language other than English, please include information about this in your voicemail or email
- RDSP calculator, tutorial, and resources (including a Step-by-Step Guide)
rdsp.com
- RDSP webinars
planinstitute.ca/registered-disability-savings-plan/
- Disability Benefits Compass
disability.benefitswayfinder.org/
- Guide to the DTC and RDSP for Newcomers (available in several languages)
aaisa.ca/toolkit/guide-dtc-rdsp-for-newcomers-with-disabilities/
- Government of Canada RDSP Information
canada.ca/en/employment-social-development/programs/disability/savings.html

Contact Plan Institute



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RDSP Inquiries



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RDSP and Disability Planning Helpline

1-844-311-7526

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