

# RDSP Withdrawal Taxes: A Simple Guide

While your money stays in your RDSP, it grows tax-free. You don't pay any tax on the investment income or gains during this time.

## When You Withdraw: Which Parts Are Taxed?

When you begin to take money out of your RDSP through disability assistance payments (DAPs) or lifetime disability assistance payments (LDAPs), some parts may be taxed.

These taxable parts include:

- Government contributions (grants and bonds)
- Investment income earned within the plan, such as interest and gains
- Proceeds from a rolled-over amount from other registered plans, like RRSPs or RESPs

Important Note: Your personal contributions are considered after-tax dollars and will never be taxed when you withdraw them.

### When Does Tax Get Withheld?

You may start to pay tax on your withdrawals once the **taxable portion** of your total withdrawals in a year is higher than the combined total of two federal non-refundable tax credits:

- The **basic personal amount (BPA)**
- The **disability amount (DA)**

Your financial institution (the RDSP issuer) will use the federal maximum amounts for these credits when calculating if they need to withhold tax. For example:

- **2022:** The total was \$14,398 (BPA) + \$8,870 (DA) = **\$23,268**
- **2023:** The total was \$15,000 (BPA) + \$9,428 (DA) = **\$24,428**
- **2024:** The total is \$15,705 (BPA) + \$9,872 (DA) = **\$25,577**

This means that if the total *taxable portion* of your withdrawals in a year is equal to or below these amounts, **no tax will be automatically withheld** at the source.

### Tax Deductions at Source

If the taxable portion of your withdrawals exceeds the total of the BPA and DA, your financial institution will automatically **withhold income tax** before giving you the payment.

- This withholding is **not the same as paying the tax**.
- The financial institution will report both the **gross taxable amount** and the **withholdings** to the Canada Revenue Agency (CRA) and to you (the beneficiary) through a **tax form**.

### What if Too Much Tax is Withheld?

If the amount of tax withheld was too high, you (the beneficiary) will receive the **over-taxed amount back** after filing your income tax return for that year.

### How to Estimate the Taxable Portion

Call Employment and Social Development Canada (ESDC) at 1-866-204-0357 or 1-866-754-2674.

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## — Important Considerations

1. The taxable amount of RDSP payments is counted as income for the beneficiary in the year the payment is made.
2. The money you receive from RDSP payments generally does not affect your eligibility for most federal benefits like the GST/HST credit and the Canada Child Benefit. Provincial rules may vary.
3. If the beneficiary has a short life expectancy (five years or less), special rules apply under a Specified Disability Savings Plan (SDSP), allowing for withdrawals up to \$10,000 per year under certain conditions.

### Sources:

1. <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/registered-disability-savings-plan-rdsp/tax-payable.html>
2. <https://www.rdsp.com>

\*Family income thresholds are adjusted each year by Canada Revenue Agency. Please contact Canada Revenue Agency or your financial Advisor to discuss your eligibility for CDSG grants. If the beneficiary dies or is no longer eligible for an RDSP, some or all the CDSG contributions may need to be repaid.

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