

# Disability Tax Credit (DTC) & Registered Disability Savings Plan (RDSP)

## DISABILITY TAX CREDIT (DTC)

**Disability Tax Credit** is a non-refundable tax credit that can help people living with disabilities or their supporting persons **reduce** the amount of taxes they may owe.

### Benefits of the DTC

- Can reduce the amount of taxes you owe
- Can be transferred to an eligible family member
- Can be applied retroactively for 10 years
- May qualify for the Working Income Tax Benefit Disability Supplement
- May qualify for the Child Disability Benefit
- Provides opportunity to open a **Registered Disability Savings Plan**

### Eligibility for the DTC

To be eligible for the DTC, a medical practitioner must certify that you have a **severe** and **prolonged** impairment in physical or mental functions (or both). The medical practitioner also needs to describe the **effects of the person's impairment**.

### Applying for the DTC

To apply for the DTC, you and your medical practitioner have to complete **Form T2201 Disability Tax Credit Certificate** and send to the Canada Revenue Agency. The form is available on CRA's website or you can call to request a copy by mail (1-800-959-8281).

<https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/t2201-disability-tax-credit-certificate.html>

For help with the DTC, RDSP or other financial matters:

**WoodGreen Financial Empowerment Program**

[fe@woodgreen.org](mailto:fe@woodgreen.org) or 416-645-6000 ext. 1330



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## Application process

### 1. Application is reviewed (approximately 6-8 weeks)

- CRA's Disability Tax Credit Unit will assess your application to determine if you are eligible based on the information provided by your medical practitioner. If they need more information, they may contact you OR your medical practitioner directly.

### 2. CRA makes a decision (“notice of determination”)

- If approved, will identify which year(s) you are eligible to claim DTC. Remember to keep a copy for your records. May also need to have your (or your caregiver's) income taxes adjusted.
- If denied, will explain reason(s) why.
  - If you disagree with CRA's decision and you have additional information from a medical practitioner that was not included in the initial review, send it to the DTC Unit at your tax centre. CRA is obligated to review your file again using the new information.
  - If you disagree with CRA's decision or you are denied for a second time, you also have the right to file a **formal objection** to appeal the decision. Must be filed within 90 days after CRA mails the notice of determination.

## REGISTERED DISABILITY SAVINGS PLAN (RDSP)

A **registered disability savings plan** is a plan for people who are eligible for the disability tax credit, to save money for their future needs.

- ✓ Encourages people living with disabilities to save for future... asset building!
- ✓ Generous government contributions, even if you cannot invest money yourself
- ✓ An exempt asset from social assistance benefits (e.g.: ODSP)
- ✓ Family and friends can contribute to your RDSP
- ✓ Variety of investment options – your money will grow!
- ✓ Must begin receiving annual withdrawals at age 60
- ✓ There are no restrictions on how RDSP withdrawals are spent

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## How to qualify for an RDSP

- ✓ Live in Canada
- ✓ Have a social insurance number
- ✓ Be 59 years or younger
- ✓ Eligible for the Disability Tax Credit

You can open an RDSP account through any of the major financial institutions.

## RDSP Contributions

- Anyone can make contributions
- No annual contribution or minimum balance required
- Contributions are **not** tax deductible
- Contributions can be made up until age 59
- Until age 49, may be eligible to receive retroactive bonds and grants over a 10-year period, if you qualified for DTC
- Need to file income taxes to receive bonds/grants

**Canada Disability Savings Bond** is money the government contributes to the RDSPs of low-income individuals depending on family income.

- Bonds of up to \$1,000 a year
- Lifetime bond limit is \$20,000
- Not necessary to make **any** contributions
- Paid into the RDSP until age 49

Annual Family Net Income	Canada Disability Savings Bond (Annually)
\$26,364 or less	\$1,000
Between \$26,364 and less than \$45,282	Prorated amount of \$1,000
More than \$45,282	No bond is paid

Annual Family Net Income	Canada Disability Savings Grant (Annually)
\$90,563 or less	<ul style="list-style-type: none"> <li>• on the first \$500 contribution—\$3 grant for every dollar contributed, up to \$1,500 a year.</li> <li>• on the next \$1,000 contribution—\$2 grant for every dollar contributed, up to \$2,000 a year.</li> </ul>
More than \$90,563	Prorated amount of \$1,000

**Canada Disability Savings Grant** is a program where the government matches contributions you (or your family or friends) deposit into the RDSP.

- Must make contribution to receive grant
- Matching grants up to \$3,500 a year, depending on contribution/income
- Lifetime grant limit is \$70,000
- Paid into the RDSP until age 49

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## RDSP Withdrawals

If you take out money before age 60, you may have to repay all or some of the bonds and grants the government paid into your RDSP in the 10 years before the withdrawal.

1. **Regular annual income payments** (Lifetime Disability Assistance Payments)
  - Payments are limited to an annual maximum based on your life expectancy and the value of the plan
  - Can begin at any time, but **MUST** start by the end of the year in which you turn age 60
2. **Period lump-sum payments** (Disability Assistance Payments)
  - Available beginning in the calendar year when the beneficiary turns 28

When your money is in an RDSP, you do not pay tax on it. When you take money out of your RDSP, you have to pay tax on the grant, bond, and investment growth. Your personal contributions are non-taxable.

## Resources

- **Government of Canada's RDSP info:** [www.disabilitysavings.gc.ca](http://www.disabilitysavings.gc.ca)
- **Plan Institute's Disability Planning Helpline:**  
1-844-311-PLAN (7596)
- **RDSP updates, online discussions, free tutorials and helpful materials (by Plan Institute):** [www.rdsp.com](http://www.rdsp.com)
- **ARCH Disability Law Centre:** 1-866-482-2724 or [www.archdisabilitylaw.ca](http://www.archdisabilitylaw.ca)

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