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Income Tax Folio S3-F10-C1, Qualified Investments – RRSPs, RESPs, RRIFs, RDSPs, FHSAs and TFSAs

Series 3: Property, Investments, and Savings Plans

Folio 10: Registered Plans for Individuals

Chapter 1: Qualified Investments – RRSPs, RESPs, RRIFs, RDSPs, FHSAs and TFSAs

Summary

Registered retirement savings plans (RRSPs), registered education savings plans (RESPs), registered retirement income funds (RRIFs), registered disability savings plans (RDSPs), first home savings accounts (FHSAs) and tax-free savings accounts (TFSAs) are required to limit their investments to **qualified investments**. This Chapter discusses the most common types of property that constitute a qualified investment, as well as the tax consequences of acquiring, holding and disposing of a non-qualified investment. It also discusses the tax consequences of a registered plan carrying on a business or borrowing money.

This Chapter does not discuss the anti-avoidance rules for prohibited investments or **advantages**. These rules are discussed in Income Tax Folio S3-F10-C2, Prohibited Investments – RRSPs, RESPs, RRIFs, RDSPs, FHSAs and TFSAs and Income Tax Folio S3-F10-C3, Advantages – RRSPs, RESPs, RRIFs, RDSPs, FHSAs and TFSAs.

The Canada Revenue Agency (CRA) issues income tax folios to provide a summary of technical interpretations and positions regarding certain provisions contained in income tax law. Due to their technical nature, folios are used primarily by tax specialists and other individuals who have an interest in tax matters. While each paragraph in a chapter of a folio may relate to provisions of the law in force at the time it was written (see the Application section) the information provided is not a substitute for the law. The reader should, therefore, consider the chapter's information in light of the relevant provisions of the law in force for the particular tax year being considered.

The CRA may have published additional guidance and detailed filing instructions on matters discussed in this Chapter and other topics that may be of interest. See the CRA's Forms and publications web page for this and other topics that may be of interest.

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Discussion and interpretation

Overview of qualified investments

1.1 This section is intended to give the reader an overview of the qualified investment rules for RRSPs, RESPs, RRIFs, RDSPs, FHSAs and TFSAs. It is not intended as a substitute for the more detailed and comprehensive discussion that follows it, which will be primarily of interest to financial institutions, brokerage firms, tax specialists and others who are involved in plan administration.

1.2 The qualified investment rules apply to registered plans that are set up as a trust. Trusteed plans that allow investors to choose a wide variety of investments are often referred to as **self-directed plans**. Trusteed plans also include plans that restrict investments to mutual funds and other investment products issued by the firm that administers the plan.

1.3 Registered plans that take the form of a deposit or insurance contract, such as a registered guaranteed investment certificate (GIC) or registered annuity, are not subject to the qualified investment rules. The plan itself is the eligible investment.

1.4 The following are common types of qualified investments:

- money, GICs and other deposits
- most securities listed on a designated stock exchange, such as shares of corporations, warrants and options, and units of exchange-traded funds and real estate investment trusts
- mutual funds and segregated funds
- Canada Savings Bonds and provincial savings bonds
- debt obligations of a corporation listed on a designated stock exchange
- debt obligations that have an investment grade rating
- insured mortgages or hypothecs

1.5 While the Act and Regulations set out the types of investments that are qualified investments, many firms have internal policies that further limit the types of qualified investments that may be held by the registered plans they administer. The legislation does not prohibit them from having such policies, which reflect the business decisions of the firm.

1.6 Given the numerous and wide variety of investments that exist, the CRA does not maintain a master list of specific investments that are qualified investments, nor does it make determinations as to whether a specific investment qualifies except in the context of an advance income tax ruling or audit.

1.7 Registered plan trustees are responsible for monitoring investments to minimize the possibility of a plan holding a non-qualified investment.

1.8 If an individual acquires a non-qualified investment in their registered plan or an existing investment becomes non-qualified, significant adverse tax consequences apply. The individual is subject to a 50% tax on the value of the investment (which is refundable in certain circumstances) and is required to file a special tax return and remit the tax. In addition, the plan is taxable on any income earned on the non-qualified investment. The trustee of the plan is required to file a tax return and remit the tax on behalf of the plan.

References to various terms

1.9 The following terms are used throughout this Chapter:

- A trust governed by an RRSP, RESP, RRIF, RDSP, FHSA or TFSA is referred to individually as an RRSP, RESP, RRIF, RDSP, FHSA or TFSA, respectively, and collectively as a **registered plan**
- A **controlling individual** of a registered plan is defined in subsection 207.01(1) as the annuitant of an RRSP or RRIF, the subscriber of an RESP, or the holder of an RDSP, FHSA or TFSA
- A reference to the **trustee** of a registered plan means the issuer of a trust governed by an RRSP, RDSP, FHSA or TFSA, the carrier of a trust governed by a RRIF, or the trustee of a trust governed by an RESP
- A bond, debenture, note or similar obligation is referred to as a **debt obligation**
- A **connected person** is defined in subsection 4901(2) of the Regulations as a person who is the annuitant of an RRSP or RRIF, the beneficiary or subscriber of an RESP, the beneficiary or holder of an RDSP, the holder of an FHSA, the holder of a TFSA, or any other person who does not deal at arm’s length with that person

For a discussion on the criteria used to determine whether persons **deal with each other at arm’s length**, refer to Income Tax Folio S1-F5-C1, Related Persons and Dealing at Arm's Length.

Types of qualified investments

1.10 The types of property that constitute a qualified investment for an RRSP, RESP, RRIF, RDSP, FHSA, and TFSA are described in the respective definitions of **qualified investment** in subsections 146(1), 146.1(1), 146.3(1), 146.4(1), 146.6(1) and 207.01(1). Those definitions also include by reference certain property described in the definition of qualified investment in section 204. In addition, investments prescribed by section 4900 of the Regulations are qualified investments. It is possible for an investment to qualify under more than one provision. The list of qualified investments is generally the same for all six types of registered plans discussed in this Chapter. Where there are differences, this has been noted in the description of the particular investment. The table in ¶1.100 lists the specific statutory or regulatory authority for each type of qualified investment described in the Chapter.

1.11 Generally, the conditions that must be met for an investment to be a qualified investment apply on an on-going basis. However, several provisions contain conditions that apply only at a point in time, typically on acquisition of the investment by the registered plan. Where this is the case, it has been noted in the section of the Chapter describing that investment.

Money and deposits

1.12 Money is a qualified investment whether denominated in Canadian or foreign currency, provided its fair market value does not exceed its stated value as legal tender in the country of issuance. Rare coins and other forms of money held for collectible value are not a qualified investment. Cryptocurrencies, such as bitcoins, are not considered to be money issued by a government of a country and are not qualified investments. Foreign exchange contracts do not constitute money and are generally not qualified investments (see ¶1.46).

1.13 A deposit with a Canadian branch of a bank, a deposit with a Canadian trust company, or any other deposit within the meaning assigned by the Canada Deposit Insurance Corporation Act is a qualified investment. This accommodates guaranteed investment certificates, term deposits and other forms of deposits of money.

1.14 A deposit with a credit union is a qualified investment. However, the deposit will not be a qualified investment for a registered plan in a calendar year if the credit union has at any time during the year granted or extended any benefit or privilege to a connected person under the plan as a result of the plan (or a registered investment in which it has invested) having invested in a share, obligation or deposit issued by the credit union.

1.15 With some transactions involving securities, a registered plan may be required to leave cash on deposit with a broker. While such a deposit is generally not a qualified investment, the CRA will not apply the adverse income tax consequences described in ¶1.69 to 1.80 if the deposit is left with the broker for no more than a few days.

Listed securities

1.16 Except for certain derivatives, any security that is listed on a designated stock exchange (as described in ¶1.17) is a qualified investment. This accommodates a wide range of listed securities, including:

- shares of corporations
- put and call options
- warrants
- debt obligations
- units of exchange-traded funds

- units of real estate investment trusts
- units of royalty trusts
- units of limited partnerships

Futures contracts and other derivative instruments in respect of which the holder's risk of loss may exceed the holder's cost are not qualified investments. The fact that a broker may be willing to put in place an arrangement to close out a futures contract so as to minimize the possibility of the registered plan going into a loss position does not overcome this restriction.

Designated stock exchanges

1.17 A **designated stock exchange** is defined as a stock exchange, or a part of a stock exchange, for which a designation by the Minister of Finance under section 262 is in effect. The list of designated stock exchanges is published on the Department of Finance Canada website.

1.18 Over-the-counter (OTC) quotation systems, such as the OTC Bulletin Board and OTC Link ATS (formerly Pink Sheets) in the United States, are not designated stock exchanges. As a result, securities that trade on OTC markets are generally not qualified investments. However, OTC securities can still qualify if they are cross-listed on a designated stock exchange or if the securities meet other qualification conditions such as those that apply to certain Canadian small businesses (see ¶1.55 to 1.66).

1.19 Many stock exchanges in the European Union (EU) operate two market segments, an official EU-regulated market and an unofficial market that is regulated by the exchange itself. The latter markets include the Alternative Investment Market (AIM) of the London Stock Exchange, Alternext operated by the various stock exchanges that comprise Euronext and the Open Market of the Frankfurt Stock Exchange. Only the official, EU-regulated markets qualify as a designated stock exchange provided the stock exchange is included on the Department of Finance list. The unofficial, exchange-regulated markets do not qualify as they are not recognized as an official market under European Union law, nor are they subject to stringent transparency requirements and investor protection regulations. It follows then that a listing on an unofficial, exchange-regulated market is not a basis for a registered plan trustee to confirm qualified investment status of a particular security.

Conditional listing

1.20 In a new public issue of securities, the listing of the securities may be delayed for a short period of time pending fulfillment of certain conditions. A security that is **approved for listing** or that has a **conditional approval for listing** is not at that time considered to be listed on a designated stock exchange. In order for a security to qualify, the listing must be full and unconditional.

Suspended from trading or de-listed

1.21 Shares of a corporation resident in Canada that were listed on a designated stock exchange in Canada but that have been suspended from trading or delisted will generally retain their qualified investment status on the basis that such a corporation continues to be a public corporation. As discussed in ¶1.23, shares of a public corporation are qualified investments. Qualified investment status could be lost, however, if the corporation elected (or was designated) not to be a public corporation. In most other situations, the suspension or delisting of a security will result in loss of qualified investment status, unless the security also qualifies under another provision.

American Depositary Receipts

1.22 An American Depositary Receipt is a qualified investment, provided that the property represented by the receipt (generally a share of a company listed on a stock exchange outside the United States) is listed on a designated stock exchange. Many American Depositary Receipts are themselves listed on a designated stock exchange and thus also qualify on the basis of being a listed security, as discussed in ¶1.16.

Public corporations

1.23 A share or debt obligation of a public corporation is a qualified investment, except as discussed in ¶1.29. For comments on the meaning of **public corporation**, see Interpretation Bulletin IT-391R, Status of Corporations.

1.24 The post-amble of the public corporation definition in subsection 89(1) allows a new corporation to elect to be deemed to have been a public corporation since its date of incorporation. To qualify, the corporation must become a public corporation on or before the time it must file the T2 return for its first tax year and it must file the election with that return. The retroactive effect of this election also applies for the purposes of the qualified investment rules. By filing a valid election, any otherwise non-qualifying shares or debt obligations of the new corporation acquired by a registered plan between the date of incorporation and the time at which the corporation becomes a public corporation will be a qualified investment from the time they are so acquired. Accordingly, any non-qualified investment taxes that would otherwise apply would be rendered inapplicable.

Investment funds

1.25 A unit of a **mutual fund trust** (as defined in subsection 132(6)) is a qualified investment.

1.26 A share of a mutual fund corporation is generally a qualified investment. **Mutual fund corporation** is defined in subsection 131(8) as a corporation that either satisfies the conditions in paragraphs 131(8)(a) to (c) or qualifies as a prescribed labour-sponsored venture capital corporation. Any corporation that is a mutual fund corporation under the first approach is by definition a public corporation and therefore its shares are qualified investments (as discussed in ¶1.23). A prescribed labour-sponsored venture capital corporation is generally not by definition a public corporation and is therefore precluded from qualifying on this basis. However, its shares may still qualify for an RRSP, RESP, RRIF, FHSA or TFSA where the conditions discussed in ¶1.63 are met.

1.27 A share or unit of a corporation or trust that is a **registered investment** (RI) (as defined in subsection 204.4(1)) is a qualified investment. If a registered plan acquires such shares or units before the corporation or trust becomes an RI, the shares or units can still qualify retroactive to the time of acquisition if the corporation or trust is registered as an RI before the end of the calendar year in which the shares or units are acquired. Note that the registration of an RI cannot have retroactive effect any earlier than the beginning of the calendar year in which application for registration is made. Also, if a corporation or trust loses its status as an RI, its shares or units will maintain their qualified investment status until the end of the calendar year immediately following the year in which the deregistration occurred.

1.28 Certain types of RIs (those described in paragraph 204.4(2)(b), (d), or (f)) are required to limit their investments to qualified investments. Where such an RI acquires a non-qualified investment, the RI will be subject to a special tax under subsection 204.6(1). This will not affect the status of the RI itself as a qualified investment for registered plans.

1.29 A share of a **mortgage investment corporation** (MIC) is a qualified investment for a particular registered plan provided the MIC does not hold any debt of a connected person under the plan. The term MIC is defined in subsection 130.1(6). Although a MIC is deemed to be a public corporation, shares and debt obligations of a MIC are expressly excluded from qualifying on this basis.

Debt obligations

1.30 Some of the more common debt obligations that are qualified investments are:

a. a debt obligation issued or guaranteed by the Government of Canada (for example, Canada Savings Bonds)
b. a debt obligation issued by a province or municipality in Canada or a federal or provincial Crown corporation
c. a debt obligation issued by a corporation, mutual fund trust or limited partnership the shares or units of which are listed on a designated stock exchange in Canada
d. a debt obligation issued by a corporation the shares of which are listed on a designated stock exchange outside Canada
e. a debt obligation that is listed on a designated stock exchange (see ¶1.16)
f. a bankers' acceptance of a Canadian corporation, provided the corporation is not a connected person under the registered plan
g. a debt obligation issued by an authorized foreign bank and payable at a Canadian branch of the bank
h. a debt obligation that has, or had at the time of purchase, an investment grade rating (generally BBB or higher) with a prescribed credit rating agency (see ¶1.31) and was issued as part of a single issue, or under a continuous issuance program, of debt of at least $25 million
i. a mortgage-backed security (generally an undivided interest or undivided right in a pool of mortgages or hypothecary claims) if it meets **all** of the following conditions:
    i. has an investment grade rating with a prescribed credit rating agency at the time it is acquired by the registered plan
    ii. is issued as part of a minimum $25 million issuance
    iii. derives all or substantially all of its fair market value from debt obligations that are secured by a mortgage or hypothec on real or immovable property situated in Canada
j. certain other mortgages or hypothecary claims discussed in ¶1.32 to 1.36

Prescribed credit rating agencies

1.31 For the purposes of the types of debt obligations described in ¶1.30(h) and (i), the following are prescribed credit rating agencies: A.M. Best Company, Inc.; DBRS Limited; Fitch, Inc.; Moody's Investors Service, Inc.; and Standard & Poor's Financial Services LLC. In some cases, a debt rating may be provided by a subsidiary or affiliate of one of these listed rating agencies. Where the facts, corporate structure and legal relationship make it clear that a listed rating agency recognizes and would stand by the rating given by its subsidiary or affiliate, then the condition that the rating be with a prescribed credit rating agency would be satisfied.

Arm's length and non-arm's-length mortgages and hypothecs

1.32 In addition to mortgage-backed securities (see ¶1.30(i)), there are two other types of mortgage or hypothecary investments that are qualified investments. These are commonly referred to in the investment industry as **arm's length mortgages** (discussed in ¶1.33 to 1.35) and **non-arm's-length mortgages** (discussed in ¶1.36). There is no income tax requirement that such mortgages be a first mortgage or a residential mortgage.

1.33 A debt obligation that is fully secured by a mortgage or hypothec on real or immovable property situated in Canada is a qualified investment for a registered plan, provided the borrower is not a connected person under the plan. In general, a debt obligation would be considered to be **fully secured** if the value of the real or immovable property pledged by the borrower to the lender in the event of default is sufficient to cover the full amount of the principal and interest outstanding on the loan. For this purpose, any decline in the fair market value of the property after the debt obligation was issued can be ignored.

1.34 Real or immovable property is not a qualified investment for a registered plan. However, a plan might acquire real or immovable property in order to protect a mortgage or hypothecary investment that is in default. In this case, the CRA will not apply any adverse tax consequences (as described in ¶1.69 to 1.80) provided the property is offered for sale under reasonable conditions and sold within one year. A longer time frame might be possible in unusual circumstances. Any legal fees incurred for foreclosure, power of sale or other proceedings necessary to protect the investment are expenses of, and must be paid by, the plan. If the expenses are paid by the controlling individual of the plan or by someone else, they would be treated as a contribution or gift to the plan and could give rise to adverse tax consequences. All the funds or property recovered from these proceedings should be deposited into the plan. Any amount not deposited into the plan would be considered a withdrawal from the plan and taxed accordingly.

1.35 Where a mortgage or hypothec is in default and the registered plan trustee fails to take appropriate proceedings to protect its investment (or requires authorization from the controlling individual of the plan before taking such action), this is an indicator that the borrower may not be dealing at arm's length with the controlling individual. If this is the case, because the borrower would be a connected person, the investment would no longer be, or possibly may never have been, a qualified investment. This determination would require a review of the specific facts.

1.36 A debt obligation secured by a mortgage or hypothec on real or immovable property situated in Canada is a qualified investment if it is administered by an approved lender under the National Housing Act and insured by the Canada Mortgage and Housing Corporation (CMHC) or by an approved private insurer of mortgages. The list of approved lenders is available on the CMHC website. The interest rate and other terms must reflect normal commercial practice and the mortgage or hypothec must be administered by the approved lender in the same manner as a mortgage or hypothec on property owned by a stranger. Failure to do so may result in adverse tax consequences.

Strip bonds

1.37 A strip bond is created when a regular bond is separated into its interest and principal payment components for resale as individual investments. Provided the original bond is a qualified investment, both the interest-paying portion and the principal portion of the bond (often referred to as the coupon and the residual, respectively) will also be qualified investments. An undivided interest in a right to receive such coupon or residual payments will also qualify.

Warrants and options

1.38 In addition to listed warrants and options (see ¶1.16), certain unlisted rights are eligible for investment by registered plans. A warrant, option or similar right is a qualified investment for a registered plan if it gives the holder the immediate or future right to acquire property that is a qualified investment for the plan. The underlying property must be **any** of the following:

- a share, unit or debt of the issuer of the right (or of a person or partnership that does not deal at arm's length with the issuer)
- a warrant issued by the issuer (or by a non-arm's-length party) that gives the holder the right to acquire such a share, unit or debt

In addition, the issuer must not be a connected person under the plan. The right may also provide for it to be cash settled in lieu of actual delivery of the property.

1.39 The qualification conditions for the underlying property might include a condition relating to the controlling individual or other connected person under the registered plan (such as a maximum ownership threshold). In this case, it is necessary to assume that the plan has exercised the right and acquired the underlying property.

Example 1

In 2012, Kenjii bought 5% of the common shares of ABC Company and acquired another 4% in his RRSP. ABC Company is a specified small business corporation. The shares are a qualified investment for the RRSP solely on the basis of subsection 4900(14) of the Regulations. Kenjii deals at arm's length with ABC Company. Recently Kenjii's RRSP bought warrants that give the RRSP the right to acquire an additional 3% of ABC's common shares. The warrants are not listed on a designated stock exchange.

For the warrants to be a qualified investment for Kenjii's RRSP, the underlying shares must satisfy the qualified investment test. As described in ¶1.56 to 1.60, one of the conditions for a share of a specified small business corporation to be a qualified investment is that the share not be a prohibited investment for the plan when acquired. In this situation, it is assumed that the RRSP has exercised the warrants. This means Kenjii would hold 12% of ABC's common shares and would have a significant interest in ABC Company. Accordingly, the underlying shares would be a prohibited investment for the RRSP. As a result, the warrants are not a qualified investment.

The fact that the shares currently held by the RRSP are qualified investments is not relevant to this determination.

Option writing

1.40 When writing put and call options (sometimes referred to as selling), no property is actually acquired by the option writer at the time the option is sold besides the option premium. The option writer merely accepts the obligation to sell or buy the underlying property at the agreed upon price should the option holder exercise their right. Therefore, option writing, in and of itself, is generally not subject to the qualified investment rules. However, several other income tax rules may restrict the ability of a registered plan to engage in option writing strategies (discussed in ¶1.41 to 1.44).

1.41 As discussed in ¶1.86, an RRSP, RRIF, RDSP, FHSA or TFSA is generally taxable on its business income. If an RESP is found to carry on a business, the registration of the plan may be revoked. A registered plan that engages in option writing strategies that are speculative in nature may be considered to be carrying on a business. It would therefore be taxable on any premiums or other income earned in connection with such activities (or be revocable in the case of an RESP). Whether a taxpayer carries on a business can only be determined following a review of all of the facts relating to the taxpayer's particular circumstances. The CRA's view is that the writing of a covered call option, whereby a registered plan sells a call option in respect of an underlying property which it already owns, does not result, in and of itself, in the plan being considered to be carrying on a business. In contrast, the writing of an uncovered call option, or the writing of a put option, whether alone or in combination with other positions, may result in the plan being considered to be carrying on a business.

1.42 A registered plan is generally prohibited from borrowing money. Depending on the circumstances, the writing of an option may result in the writer having to borrow funds to cover their obligation under the option agreement. If a plan were to borrow money, the adverse tax consequences discussed in ¶1.83 would apply.

1.43 It is common practice for brokerage firms to impose margin requirements in connection with various options strategies. For example, an option writer may be required to deposit cash with their brokerage firm to cover their obligation under the option agreement. As noted in ¶1.15, if the deposit is left with the broker for longer than a few days, the deposit would not be a qualified investment. The qualified investment rules may also apply where the option premium is paid in non-cash form or in the case of a non-cash settled option. Any property acquired by a registered plan must be a qualified investment in order to avoid adverse tax consequences.

1.44 The advantage tax in section 207.05 could apply if a registered plan were to engage in certain option transactions. For example, this would be the case in either of the following circumstances:

- The counterparty to the option contract does not deal at arm's length with the controlling individual
- The contract does not reflect commercial terms, which serves to artificially shift value into or out of the plan.

Foreign exchange trading

1.45 Foreign exchange trading, also referred to as Forex trading, encompasses a number of financial instruments or transactions. These can range from simply holding foreign currency to entering into various foreign exchange contracts such as spots, futures, forwards, swaps and options. The ability for registered plans to engage in foreign exchange trading is severely restricted, as discussed in ¶1.46.

1.46 Foreign currency is generally a qualified investment, as discussed in ¶1.12. Foreign exchange contracts that are listed on a designated stock exchange are also qualified investments if the holder's risk of loss does not exceed the holder's cost (see ¶1.16). This would include, for example, foreign currency options. Most other listed foreign exchange contracts, such as foreign currency futures contracts, are not qualified investments because the risk of loss exceeds the cost of the contract. Foreign exchange contracts that trade on the over-the-counter (OTC) markets, such as swap or forward contracts, are not qualified investments. These contracts do not constitute money, nor is the OTC market a designated stock exchange. As with option writing, a registered plan that engages in foreign exchange trading may be considered to be carrying on a business and be subject to adverse tax consequences. Such a determination is a question of fact. Similarly, if a registered plan were to borrow money to cover its obligation under a foreign exchange contract, adverse tax consequences would apply. See ¶1.83 and ¶1.86 for more details.

Annuity contracts

1.47 Several types of annuity contracts are qualified investments, although some are eligible only for certain registered plans. A qualification condition common to each annuity contract is that it be issued by a person licensed under Canadian or provincial law to carry on an annuities business.

1.48 An annuity is a qualified investment for all six types of registered plans discussed in this Chapter if both of the following conditions are met:

- The plan is the only person entitled to any annuity payments under the contract (disregarding any subsequent transfer of the contract by the plan)
- The holder of the contract may surrender the contract at any time for an amount that is approximately equal to its

fair market value (ignoring reasonable sales and administration fees)

This includes, for example, a segregated fund annuity.

1.49 An annuity payable to the annuitant at the maturity of an RRSP is a qualified investment for the RRSP if the annuity is described in the definition of **retirement income** in subsection 146(1).

1.50 An annuity is a qualified investment for an RRSP, RRIF, or RDSP if the annuity is similar to an annuity described in ¶1.49, except that the annuity payments can be made to the RRSP, RRIF, or RDSP before the maturity date of the plan. Also, the conditions applicable to RDSP annuities differ slightly to reflect certain attributes particular to RDSPs.

Gold and silver

1.51 Subject to certain conditions, investments in gold and silver bullion coins, bars and certificates are qualified investments. The CRA would anticipate that the registered plan trustee would exercise due diligence in using a custodial trustee for such bullion.

1.52 A legal tender gold or silver bullion coin produced by the Royal Canadian Mint with a minimum purity of 99.5% for gold and 99.9% for silver is a qualified investment. To ensure that the coin is not held for its collectible value, the fair market value of the coin may not exceed 110% of the fair market value of its gold or silver content. In addition, the coin must be purchased directly from the Royal Canadian Mint or from a Canadian-resident corporation that is a bank, trust company, credit union, insurance company or registered securities dealer whose business activities are regulated by the Superintendent of Financial Institutions or a similar provincial authority (referred to in ¶1.53 and ¶1.54 as a **specified corporation**).

1.53 A gold or silver bullion bar, ingot or wafer produced by a metal refiner accredited by the London Bullion Market Association and with the same purity standards that apply for coins (described in ¶1.52) is a qualified investment if it bears a hallmark identifying the refiner, purity and weight. In addition, the bullion must be purchased directly from the refiner or from a specified corporation.

1.54 A gold or silver certificate issued by the Royal Canadian Mint or a specified corporation is a qualified investment if the bullion represented by the certificate satisfies the conditions described in ¶1.52 or ¶1.53. In addition, the certificate must be purchased directly from the issuer or from a specified corporation.

Small business investments

1.55 Certain small business investments are qualified investments for RRSPs, RESPs, RRIFs, FHSAs and TFSAs, as discussed in ¶1.56 to 1.66. None of these investments are eligible for RDSPs and only those described in ¶1.56 to 1.60, ¶1.63, and ¶1.64 are eligible for FHSAs and TFSAs (unless they qualify on another basis).

Small business corporations

1.56 A share of a specified small business corporation is a qualified investment for an RRSP, RESP, RRIF, FHSA or TFSA if the share is not a prohibited investment for the plan, as discussed in ¶1.57 to 1.60. These rules apply only to investments acquired after March 22, 2011, for RRSPs and RRIFs, and after March 22, 2017, for RESPs. Investments acquired on or before the applicable date are subject to the rules in former subsections 4900(12) and (13) of the Regulations.

1.57 A **specified small business corporation** is defined in subsection 4901(2) of the Regulations by reference to the definition of small business corporation in subsection 248(1) but with certain modifications. In general, a specified small business corporation is a Canadian corporation (as defined in subsection 89(1) but not including a corporation controlled, directly or indirectly in any manner whatever, by one or more non-resident persons) all or substantially all of the fair market value of the assets of which is attributable to assets that are:

- used principally in an active business carried on primarily in Canada by the corporation or by a corporation related to it;
- shares or debt of connected small business corporations; or
- a combination of the above two.

To qualify as a specified small business corporation at a particular time, a corporation must satisfy these conditions either at that time or at the end of the corporation's preceding tax year. **Active business** is defined in subsection 248(1) as any business that is carried on by a taxpayer resident in Canada other than a specified investment business or a personal services business. For more information, see Interpretation Bulletin IT-73R6, The Small Business Deduction.

1.58 A cooperative corporation is expressly excluded from being a specified small business corporation. However, shares of certain cooperative corporations may be qualified investments as discussed in ¶1.64.

1.59 The term **prohibited investment** is defined in subsection 207.01(1) and is generally an investment of a registered plan to which the controlling individual of the plan is closely connected. More specifically, a share of a corporation is a prohibited investment for a plan if **either** of the following conditions is met:

- the controlling individual of the plan is a specified shareholder of the corporation (generally a taxpayer who owns directly or indirectly 10% or more of any class of shares of the corporation, taking into account non-arm's-length and certain other holdings)
- the controlling individual of the plan does not deal at arm's length with the corporation

See Income Tax Folio S3-F10-C2 for more detail.

1.60 The conditions that the corporation be a specified small business corporation, and that the shares not be a prohibited investment, need only be satisfied at the time the RRSP, RESP, RRIF, FHSA or TFSA acquires the shares. This means that, should these conditions later not be met, the shares will not cease to be a qualified investment. It also means that the trustee of the RRSP, RESP, RRIF, FHSA or TFSA is required to confirm qualified investment status for such shares only once at the time of acquisition. However, the controlling individual would nonetheless be subject to adverse tax consequences in the event these conditions are no longer met because the shares would be a prohibited investment. See Income Tax Folio S3-F10-C2 for more detail.

1.61 This paragraph has been deleted. (see the History entry)

1.62 This paragraph has been deleted. (see the History entry)

Venture capital corporations

1.63 A share of a venture capital corporation described in any of sections 6700, 6700.1 or 6700.2 of the Regulations is a qualified investment for an RRSP, RESP, RRIF, FHSA or TFSA. The same conditions applicable to specified small business corporations discussed in ¶1.56, ¶1.59, and ¶1.60 apply to these venture capital investments. Most notably, the shares cannot be a prohibited investment.

Cooperative corporations

1.64 A qualifying share of a specified cooperative corporation is a qualified investment for an RRSP, RESP, RRIF, FHSA or TFSA. The terms **qualifying share** and **specified cooperative corporation** are defined in subsection 4901(2) of the Regulations. In addition, the same conditions applicable to specified small business corporations discussed in ¶1.56, ¶1.59, and ¶1.60 apply to these cooperative investments. Most notably, the shares cannot be a prohibited investment.

Limited partnerships and trusts

1.65 Subject to subsection 4900(9) of the Regulations, a limited partnership interest in a **small business investment limited partnership** and an interest in a **small business investment trust** are qualified investments for RRSPs, RESPs and RRIFs. These terms are defined in subsections 5102(1) and 5103(1) of the Regulations respectively. An interest in a general partnership is not a qualified investment for any registered plan.

Eligible corporations

1.66 A share of an **eligible corporation** (as defined in subsection 5100(1) of the Regulations) is a qualified investment for an RRSP, RESP or RRIF, if certain conditions are met. The conditions are comparable to those described in ¶1.56 to 1.59 for specified small business corporations, except that they must be satisfied not only at the time of acquisition but throughout the entire period during which the shares are held by the RRSP, RESP or RRIF. Because the requirements for eligible corporations are viewed as being more onerous than those for specified small business corporations, the latter provisions are normally looked at first in order to obtain qualified investment status for small business shares.

Instalment receipts

1.67 An instalment receipt reflects a partial payment on property and gives the owner an interest (or for civil law, a right) in that property. If the receipt reflects a partial payment on, for example, a share listed on a designated stock exchange, the interest or right in that share will constitute a qualified investment for a registered plan. For example, a corporation may have an arrangement to sell shares on an instalment basis, where the shares are sold at a predetermined price with a portion of the sale price payable at the time of sale and the balance to be paid at some future date. The purchase and ownership of the shares are evidenced by the instalment receipt issued to the purchaser at the time of the initial payment.

Escrow agreement

1.68 The fact that a security may be subject to an escrow agreement will not in and of itself cause it to be a non-qualified investment for a registered plan, provided that **all** of the following conditions are met:

- the security was issued to and not simply allotted to the plan
- the holder of the security has all the rights of ownership that every other holder has in relation to the issuer
- securities that are not subject to an escrow agreement, but that are identical to the escrowed security, are qualified investments

Tax consequences – non-qualified investments

1.69 Adverse tax consequences apply when a registered plan holds a non-qualified investment. Specifically, the controlling individual of the plan is subject to a 50% tax that is refundable in certain circumstances. In addition, the plan is taxable on any income earned on non-qualified investments. These consequences are discussed in more detail in ¶1.72

to 1.80.

1.70 In addition, the controlling individual of the plan may be subject to the 100% advantage tax on specified non-qualified investment income (generally subsequent generation income earned on income previously taxed in the plan). The advantage tax rules are discussed in Income Tax Folio S3-F10-C3.

1.71 If an investment is both a non-qualified investment and a prohibited investment, subsection 207.04(3) deems the investment to be a prohibited investment only. See Income Tax Folio S3-F10-C2 for more detail.

50% tax

1.72 If a registered plan acquires a non-qualified investment or an existing investment becomes non-qualified, the controlling individual of the plan is subject to a tax under section 207.04 equal to 50% of the fair market value of the property at the time it is acquired or becomes non-qualified. In the case of an RESP or RDSP with multiple subscribers or holders, each such person is jointly and severally, or solidarily, liable with each other to pay the tax. Individuals liable for the tax for any calendar year must file Form RC339, Individual Return for Certain Taxes for RRSPs or RRIFs, RESPs or RDSPs, RC728, First Home Savings Account (FHSA) Return or Form RC243, Tax-Free Savings Account (TFSA) Return as applicable. The form, together with any balance due, must be submitted by no later than June 30 of the following year.

1.73 The 50% tax on non-qualified investments is refundable in certain circumstances. To qualify for the refund, the investment must be disposed of before the end of the calendar year after the year in which the tax arose (or such later time as is permitted by the Minister of National Revenue). However, no refund is available if it is reasonable to consider that the controlling individual knew or ought to have known that the investment was or would become non-qualified. The forms referred to in ¶1.72 explain how to claim the refund.

1.74 If a non-qualified investment becomes qualified while being held by a registered plan, subsection 207.01(6) deems the investment to have been disposed of and reacquired by the plan. This might happen when a delisted security is relisted. This ensures that a refund is available in this situation, provided the conditions described in ¶1.73 are met.

1.75 Subsection 207.06(2) gives the Minister authority to cancel or waive all or part of the 50% tax on non-qualified investments in appropriate circumstances, taking into account such factors as reasonable error. The forms referred to in ¶1.72 explain how to apply for this relief.

Trust taxable on non-qualified investment income

1.76 A trust governed by an RRSP, RESP, RRIF, FHSA, TFSA or RDSP is taxable under Part I on any income it earns in a tax year from non-qualified investments in accordance with subsection 146(10.1), 146.1(5), 146.3(9), 146.6(3) or 146.2(6) or paragraph 146.4(5)(b), respectively. For this purpose, income tax is payable on the trust's adjusted taxable income which is calculated using only the income or loss from non-qualified investments and the full capital gain or capital loss from the disposition of non-qualified investments. The adjusted taxable income also includes capital dividends described in section 83.

1.77 Subsection 207.01(6) provides a special rule that applies when an investment becomes or ceases to be a non-qualified investment while being held by a registered plan. The rule deems the investment to have been disposed of immediately before that time for proceeds of disposition equal to its fair market value and re-acquired for the same amount at the same time. This ensures that only the portion of the capital gain or capital loss that accrues during the period in which the investment was non-qualified is taken into account in determining the trust's adjusted taxable income.

Example 2

Marc's RRSP buys $4,000 worth of shares of Red White and Blue, a company whose shares are listed on a designated stock exchange in the United States. The shares are later delisted and become a non-qualified investment. The shares are only worth $500 when they are delisted. Subsection 207.01(6) deems the RRSP to dispose of the shares for $500 and to re-acquire them at this same $500 cost.

Several months later the RRSP sells the shares for $2,500, resulting in an overall loss in value on the shares of $1,500 ($4,000 - $2,500). However, the RRSP trustee would calculate the RRSP's Part I tax payable under subsection 146(10.1) based on the capital gain of $2,000 ($2,500 - $500) that accrued during the period the shares were non-qualified.

1.78 The trustee must file a T3RET, T3 Trust Income Tax and Information Return for the trust with a payment for any balance due no later than 90 days following the end of the calendar year.

RRSP, RRIF, and RESP transitional rules

1.79 In the case of RRSPs and RRIFs, the 50% tax applies to investments acquired after March 22, 2011. The tax also applies to investments acquired before March 23, 2011, that first became non-qualified after March 22, 2011. An investment that was non-qualified for an RRSP or RRIF before March 23, 2011, will continue to be subject to the former rules in sections 146, 146.3, and 207.1 that provided for either an income inclusion with an offsetting deduction or a 1% monthly tax.

1.80 In the case of RESPs, the 50% tax applies to investments acquired after March 22, 2017. The tax also applies to investments acquired before March 23, 2017, that became non-qualified after March 22, 2017. An investment that was non-qualified for an RESP before March 23, 2017, will continue to be subject to the former rules in sections 146.1 and 207.1 that provided for the possibility of revocation of the plan's registration and a 1% monthly tax.

Removal of non-qualified investment

1.81 The advantage tax rules effectively prohibit most transfers of property between a registered plan and its controlling individual (or a person with whom they do not deal at arm's length). These transfers, which are referred to as **swap transactions**, are treated as an advantage and give rise to advantage tax under section 207.05. There are, however, two exceptions from these rules that facilitate the removal of a non-qualified investment recognizing that in many cases it may not be possible or desirable to sell the investment to an arm's-length party.

1.82 The swap transaction rules permit a non-qualified investment to be sold to the plan's controlling individual (or a person with whom they do not deal at arm's length), provided that the controlling individual is entitled to a refund of the 50% non-qualified investment tax in respect of the investment (see ¶1.73). As a transitional measure for RRSPs, RRIFs, RESPs, and RDSPs, the condition that the controlling individual be entitled to a refund does not apply to a sale that occurs before 2022. The removal may also be accomplished by making an in-kind distribution of the non-qualified investment to the controlling individual if permitted by the plan. The distribution is treated as a regular withdrawal and therefore may be includable in income in accordance with the rules applicable to the type of registered plan. To avoid imposition of advantage tax, these transactions must occur at fair market value.

Tax consequences – borrowing

1.83 Adverse tax consequences apply to deter registered plans from borrowing money. If an RRSP, RRIF, or RDSP has borrowed money in a year (or in a previous year and has not repaid it before the beginning of the year), it is required to pay Part I tax on its taxable income for the year in accordance with paragraph 146(4)(a), subsection 146.3(3) or paragraph 146.4(5)(a), respectively. In this case, the RRSP, RRIF, or RDSP must file a T3 return for the year, as discussed in ¶1.78. If an RESP borrows money, paragraph 146.1(2.1)(d) provides that the RESP is revocable, subject to certain conditions that accommodate short-term borrowing. If an FHSA or TFSA borrows money or any other property contrary to paragraph 146.6(2)(f), or 146.2(2)(f) respectively, the arrangement automatically ceases to be an FHSA pursuant to subparagraph 146.6(16)(a)(iv) or ceases to be a TFSA pursuant to paragraph 146.2(5)(c) effective at the time the borrowing occurs. As a result, the arrangement will lose its tax-exempt status from that time forward.

1.84 The CRA will not apply the adverse income tax consequences described in ¶1.83 to an overdraft in a registered plan if **all** of the following conditions are met:

- it is temporary in nature and covered without undue delay
- it arises as a result of a mismatch of cash flow due to differences in standard settlement cycles for securities, a reasonable error, or an unintended infrequent event
- it does not have the character of leveraged investing.

This administrative position is intended to accommodate certain overdrafts of very short duration that are quickly or naturally reversed or that are infrequent and inadvertent. This position does not apply to borrowing that arises in connection with a cashless exercise of warrants or a margin account.

1.85 The borrowing restrictions discussed in ¶1.83 do not apply where a registered plan acquires a qualified investment that is payable on an instalment basis (see ¶1.67). This is because an obligation to pay instalments does not constitute borrowed money as there is no relationship of lender and borrower between the parties.

Tax consequences – carrying on a business

1.86 Adverse tax consequences also apply to deter registered plans from carrying on a business in certain situations. An RRSP, RRIF, RDSP, FHSA or TFSA is generally taxable under Part I on any income it earns in a year from carrying on a business in accordance with paragraph 146(4)(b), subsection 146.3(3), paragraph 146.4(5)(b), subsections 146.6(3) or 146.2(6) respectively. The RRSP, RRIF, RDSP, FHSA or TFSA must file a T3 return for the year, as discussed in ¶1.78. An RESP is revocable pursuant to paragraph 146.1(2.1)(c) if it begins carrying on a business.

1.87 The determination of whether a particular taxpayer carries on a business is a question of fact that can only be determined following a review of the taxpayer's particular circumstances. Interpretation Bulletin IT-479R, Transactions in Securities, sets out factors developed by the courts that are relevant in determining whether transactions in securities constitute carrying on a business. While there is nothing unique in applying these general principles to securities trading that occurs within a registered plan, several exceptions apply so that certain business activities will not give rise to adverse tax consequences.

1.88 Section 253.1 provides, in part, that an RESP, RDSP, FHSA or TFSA will not, solely because it acquires and holds an interest in a limited partnership as a limited partner, be considered to carry on the business carried on by the partnership. Consequently, the provisions referred to in ¶1.86 will generally not apply where an RESP, RDSP, FHSA or TFSA invests in a limited partnership.

1.89 In the case of an RRSP or RRIF, the rules in paragraphs 146(4)(b) and 146.3(3)(e) for calculating the amount of business income that is taxable to the RRSP or RRIF specifically exclude any business income from, or from the disposition of, qualified investments. This exclusion serves a similar purpose to the rule in section 253.1 in that it ensures that RRSPs and RRIFs are not subject to adverse tax consequences where they make eligible investments in limited partnerships. However, the exclusion is broader in that it applies not just to limited partnership investments, but to any investment of the RRSP or RRIF provided it is a qualified investment. This means, for example, that if an RRSP or RRIF were to engage in the business of day trading of various securities, it would not be taxable on the income derived from that business provided that the trading activities were limited to the buying and selling of qualified investments.

1.90 As discussed in ¶1.41 and ¶1.46, where a registered plan engages in certain option writing strategies or foreign exchange trading, it may be considered to be carrying on a business. The same result may arise where a registered plan engages in short selling (which is where an investor sells property they do not own) or securities lending. Note that, because the restriction on borrowing for FHSAs and TFSAs (discussed in ¶1.83) applies to any property not just money, a short sale within an FHSA or TFSA is effectively prohibited.

1.91 The decision in Prochuk v The Queen, 2014 TCC 17, 2014 DTC 1050 held that trading in a registered plan is not a relevant factor in determining whether a taxpayer is carrying on a trading business outside of the plan. This decision does not stand for the proposition that the trading of securities in a registered plan will not in any circumstance be considered to be carrying on a business by the plan.

Obligations of registered plan trustees

1.92 Responsibility for compliance with the qualified investment rules generally lies with the trustee of the registered plan. In the case of RESPs, responsibility may be shared between the trustee and the promoter. In some cases, the trustee may require the plan's controlling individual to provide the trustee with evidence for the purpose of determining qualified investment status. In these cases, the trustee must exercise due diligence in satisfying itself that the documentation provided is sufficient. The CRA may ask the trustee to demonstrate how it determined that a particular property was a qualified investment.

1.93 Subsection 207.01(5) requires the trustee of an RRSP, RRIF, RDSP, FHSA or TFSA, or the promoter of an RESP, to exercise the care, diligence and skill of a reasonably prudent person to minimize the possibility of the plan holding a non-qualified investment. If a trustee or promoter fails to comply with this obligation, the trustee or promoter is liable to a penalty under subsection 162(7).

1.94 The trustee of a registered plan is required to file the tax returns referred to ¶1.78 and ¶1.79 on behalf of the trust and remit any balance due. If the registered plan trust does not have sufficient assets to pay any taxes owing (for example, because of a withdrawal or transfer of assets to another institution), the trustee may be held responsible for the tax pursuant to section 159.

1.94.1 Subsections 146.6(4) and 146.2(6.1) provide special rules for determining liability for any tax owing by an FHSA trust or a TFSA trust respectively on income earned from carrying on a business. The FHSA holder or the TFSA holder is jointly and severally, or solidarily, liable with their respective FHSA trust or TFSA trust for the tax. In addition, the personal liability of the trustee of either the FHSA or the TFSA for the tax is limited to the amount of property of the trust at any particular time, plus the amount of any property distributed from the trust between the sending of the applicable notice of assessment and the particular time.

1.95 The trustee of an RRSP, RRIF, RDSP, FHSA or TFSA, or the promoter of an RESP, is also required to report information to the CRA and the controlling individual of the plan if the plan begins or ceases to hold a non-qualified investment in a year. For information on these reporting obligations, refer to:

- Guide RC4477, Tax-Free Savings Account (TFSA) Guide for Issuers
- Guide T4040, RRSPs and Other Registered Plans for Retirement
- Guide RC4092 Registered Education Savings Plans
- Guide RC4460 Registered Disability Savings Plans
- CRA web page First Home Savings Account (FHSA)

1.96 The Act requires that all contributions, acquisitions and dispositions of property, distributions, and any other transactions involving a registered plan occur at fair market value. Otherwise, adverse tax consequences will arise. While the term **fair market value** is not defined in the Act, it generally is considered to mean the highest price expressed in terms of money that can be obtained in an open and unrestricted market between informed and prudent parties, who are dealing at arm's length and under no compulsion to buy or sell. The determination of fair market value is a question of fact.

1.97 It is the responsibility of the registered plan trustee to determine the fair market value of property involved in a transaction. In the case of RESPs, responsibility may be shared between the trustee and the promoter. In some cases, the trustee may require the controlling individual of the registered plan to provide evidence to determine the property’s fair market value. In these cases, the trustee must exercise due diligence in satisfying itself that the documentation provided is sufficient. The CRA may ask the trustee to demonstrate how the fair market value of a particular property was determined.

1.98 Except for RESPs, it is common for registered plan trustees to have an agreement with an agent or mandatary, such as an investment broker, that allows the agent or mandatary to provide the trustee with certain administrative and investment functions. However, the ultimate responsibility for ensuring that a registered plan complies with the qualified investment rules always remains with the trustee.

1.99 All qualified investments of a registered plan must be held by the trustee of the plan and not by the controlling individual of the plan. In the case of a share or other security, registration of the security in the name of the trustee demonstrates holding by the trustee. However, there are situations where a security may be considered a qualified investment for a plan even though the trustee is not the registered holder of the security. This can happen, for example, where a security dealer holds the qualified investments of the plan as the agent for or the mandatary of the trustee and it is necessary to register the investments in the dealer’s name. It can also happen where securities are issued and processed through a central depository for securities, such as CDS Clearing and Depository Services Inc. Where the registration and trading of a security is maintained by a central depository for securities and the security is otherwise a qualified investment, the security will be a qualified investment for a registered plan if the security is held for the plan.

Statutory or regulatory authority

1.100 The following table lists the specific statutory or regulatory authority for each type of qualified investment described in the Chapter.

Specific statutory or regulatory authority for each type of qualified investment

Chapter reference	Type of qualified investment (QI)	Statutory or regulatory authority
¶1.12	money, Canadian or foreign-denominated	paragraph (a) of the QI definition in section 204
¶1.13	deposit with bank or trust company	paragraph (a) of the QI definition in section 204
¶1.14	deposit with credit union	Regulation 4900(1)(g)
¶1.16	listed security	paragraph (d) of the QI definition in section 204
¶1.22	American Depository Receipt	Regulation 4900(1)(w)
¶1.23	share of public corporation	Regulation 4900(1)(b)
¶1.23	debt of public corporation	Regulation 4900(1)(c.1)
¶1.25	unit of mutual fund trust	Regulation 4900(1)(d)
¶1.26	share of mutual fund corporation	Regulation 4900(1)(b)
¶1.27	share or unit of registered investment	Regulation 4900(1)(a)
¶1.29	share of mortgage investment corporation	Regulation 4900(1)(c)
¶1.30(a)	debt of Government of Canada	paragraph (b) of the QI definition in section 204
¶1.30(b)	debt of province, municipality or Crown corporation	paragraph (b) of the QI definition in section 204
¶1.30(c)	debt of Canadian-listed corporation, mutual fund trust or limited partnership	paragraph (c) of the QI definition in section 204
¶1.30(d)	debt of foreign-listed	paragraph (c) of the QI definition in section 204

	corporation	
¶1.30(f)	bankers' acceptance	Regulation 4900(1)(i.2)
¶1.30(g)	debt of authorized foreign bank	paragraph (c) of the QI definition in section 204
¶1.30(h)	investment grade debt	paragraph (c.1) of the QI definition in section 204
¶1.30(i)	mortgage-backed security	Regulation 4900(1)(j.2)
¶1.33	arm's-length mortgage	Regulation 4900(1)(j)
¶1.36	non-arm's-length mortgage	Regulation 4900(1)(j.1)
¶1.38	unlisted warrants and options	Regulation 4900(1)(e)
¶1.48	segregated fund annuity contracts	paragraph (c.1) of the QI definition in subsection 146(1), paragraph (c) of the QI definition in subsection 146.1(1), paragraph (b.1) of the QI definition in subsection 146.3(1), paragraph (b) of the QI definitions in subsections 146.4(1) and 207.01(1)
¶1.49	RRSP annuity	paragraph (c) of the QI definition in subsection 146(1)
¶1.50	qualified annuity	paragraph (c.2) of the QI definition in subsection 146(1), paragraph (b.2) of the QI definition in subsection 146.3(1) and paragraph (c) of the QI definition in subsection 146.4(1)
¶1.51	gold and silver coins, bullion and certificates	Regulation 4900(1)(t), (u) and (v)
¶1.55	small business investments	Regulation 4900(6) and (14)

Application

This updated Chapter, which may be referenced as S3-F10-C1, is effective May 28, 2024.

When it was first published on September 2, 2016, this Chapter replaced and cancelled Interpretation Bulletin IT-320R3, Qualified Investments – Trusts Governed by Registered Retirement Savings Plans, Registered Education Savings Plans and Registered Retirement Income Funds.

The history of updates to this Chapter as well as any technical updates from the cancelled interpretation bulletin can be viewed in the Chapter History page.

Except as otherwise noted, all statutory references in this Chapter are references to the provisions of the Income Tax Act, R.S.C., 1985, c.1 (5th Supp.), as amended and all references to a Regulation are to the Income Tax Regulations, C.R.C., 1978, c. 945, as amended.

Links to jurisprudence are provided through CanLII.

Income tax folios are available in electronic format only.

Reference

Sections 146, 146.1, 146.2, 146.3, 146.4, 146.6, 204, 207.01 and 207.04, and section 4900 of the Regulations.

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