



## RESPONSE TO PETITION

Prepare in English and French marking 'Original Text' or 'Translation'

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PETITION No.: **421-02542**

BY: **MR. MACKINNON (GATINEAU)**

DATE: **JUNE 20, 2018**

PRINT NAME OF SIGNATORY: **MR. JOËL LIGHTBOUND**

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Response by the Minister of Finance

SIGNATURE

Minister or Parliamentary Secretary

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SUBJECT

**Tax system**

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**ORIGINAL TEXT**

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**REPLY**

The tax system generally allows individuals to access savings in their Registered Retirement Savings Plan (RRSP) at any time, for any reason, and requires that such withdrawals be included in income for tax purposes. This reflects the tax-deferred treatment that applies to RRSP savings – contributions are deductible, the investment income is not taxed as it is earned, and withdrawals are subject to regular income tax.

Individuals are permitted to make limited tax-free RRSP withdrawals for two specific purposes only: first-time home purchases under the Home Buyers' Plan (HBP), and education and training expenses under the Lifelong Learning Plan (LLP). The amounts withdrawn must be repaid to an RRSP over a specified period of time, otherwise the repayment amounts are included in income for tax purposes. By supporting home ownership, education and training, the HBP and the LLP encourage investments that can enhance the retirement income security of RRSP holders. Allowing tax-free withdrawals for other purposes would not be consistent with the basic retirement income objective of RRSPs.

The Department of Finance has received numerous requests to permit tax-free RRSP withdrawals in situations where individuals have incurred unexpected costs, including due to natural disasters and other events, as well as for other purposes (e.g., to pay down a mortgage, to finance a child's post-secondary education, to provide capital for a business). If tax-free RRSP withdrawals were permitted in some of these cases, it would be very difficult to draw lines among the

many different circumstances that would be put forward as also deserving special treatment. In this regard, any expansion of tax-free RRSP withdrawals would raise significant precedential concerns.

The Tax-Free Savings Account (TFSA) also provides tax-assisted savings opportunities. The TFSA is a general-purpose savings plan that may be used for any savings purpose. Unused TFSA contribution room is carried forward and accumulates in future years. While TFSA contributions are not tax-deductible, the investment income earned in the account and withdrawals are not subject to income tax.

In the event of a large-scale natural disaster, the Government of Canada provides financial assistance to provincial and territorial governments through the Disaster Financial Assistance Arrangements, administered by Public Safety Canada. Also, the National Disaster Mitigation Program addresses rising flood risks and costs, and builds the foundation for informed mitigation investments that could reduce, or even negate, the effects of flood events.