



Employment and
Social Development Canada

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Canada

Now and Tomorrow, Excellence in Everything We Do

Canada Education Savings Program

Registered Education Savings Plan Provider User Guide

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TABLE OF CONTENTS

How to Use this Guide

Section 1: Introduction

- Chapter 1-1: ESDC's Education Savings Incentives Program
- Chapter 1-2: Key Concepts
- Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)
- Chapter 1-4: Registered Education Savings Plans

Section 2: Education Savings Incentives

- Chapter 2-1: The Basic Canada Education Savings Grant (CESG)
- Chapter 2-2: The Basic and Additional Canada Education Savings Grant (CESG)
- Chapter 2-3: The Canada Learning Bond (CLB)
- Chapter 2-4: The Alberta Centennial Education Savings Plan Grants (Alberta Grants)
- Chapter 2-5: Saskatchewan Advantage Grant for Education Savings (SAGES)

Section 3: Transfers and Payments

- Chapter 3-1: RESP Transfers and the Education Savings Incentives
- Chapter 3-2: Post-Secondary Education and Educational Assistance Payments (EAPs)
- Chapter 3-3: Options for Assets Remaining in the RESP

Section 4: Appendices

- Appendix A: Application Forms – Education Savings Incentives*
- Appendix B: A Quick Reference – Eligibility Criteria for Education Savings Incentives*
- Appendix C: Acronyms and Definitions*
- Appendix D: Forms Index*
- Appendix E: Understanding Error Codes*
- Appendix F: Understanding Refusal Reasons*

Section 1 – Introduction

Chapter 1–1: ESDC’s Education Savings Incentives Program

1. The Education Savings Incentives

- 1.1. The CESG At-a-Glance
 - 1.1.1. Grant Room and Carry Forward
- 1.2. The CLB At-a-Glance
- 1.3. The Alberta Grants At-a-Glance
- 1.4. SAGES At-a-Glance

2. An Overview of Roles and Responsibilities

- 2.1. The Subscriber
- 2.2. Parent, Legal Guardian, or Primary Caregiver
- 2.3. The RESP Promoter
- 2.4. Employment and Social Development Canada (ESDC)
- 2.5. Canada Revenue Agency (CRA)
- 2.6. Alberta Government
- 2.7. Saskatchewan Government

3. Federal and Provincial Privacy Requirements

- 3.1. Federal Privacy Legislation
- 3.2. Provincial Privacy Legislation

4. The CESP Process – An Overview

Chapter 1–2: Key Concepts

1. Legislative Authorities – ESDC and CRA

2. RESPs

3. RESP Contribution Limits

4. Social Insurance Number

5. The Beneficiary’s SIN – A Unique Identifier

- 5.1. Applying for a SIN

6. RESP Accounts and the Education Savings Incentives

- 6.1. Provincial Incentives

7. Key Concepts Specific to Incentives

Chapter 1–3: The CESP System and Interface Transaction Standards (ITS)

1. What is the CESP System?

2. CESP System Terminology

3. Summary of Record and Transaction Types

4. Submitting Information to CESP

- 4.1. Submitting Contract Information
 - 4.1.1. Capturing and Submitting Contract Information
 - 4.1.2. Accurate Information Enables Payment of the Incentives
- 4.2. Submitting Financial Information to CESP
 - 4.2.1. SAGES Transactions
- 4.3. Sequence of Transactions Processed by the CESP System
- 4.4. Submitting Changes or Corrections to CESP
 - 4.4.1. Correcting Primary Caregiver Information for the CESP – RT 511
- 4.5. Receiving Information from CESP
 - 4.5.1. Production Processing Results Report

5. An Overview of the CESP System Process

6. Interface Transaction Standards

- 6.1. Electronic Version of the ITS
- 6.2. System Compliance with ITS and Industry Testing
- 6.3. Processing Dates and Reporting Periods
 - 6.3.1. Reporting Periods
 - 6.3.2. Managed Secure File Transfer (MSFT)

Chapter 1–4: Registered Education Savings Plans (RESPs)

1. RESPs – An Overview

- 1.1. RESPs May Qualify for Education Savings Incentives

2. Establishing the RESP

- 2.1. Opening the ESP
- 2.2. Registering the ESP
- 2.3. Social Insurance Numbers (SINs)
 - 2.3.1. Verifying the Beneficiary's SIN

3. Contributions and Contribution Limits

- 3.1. What Are Not Considered to be Contributions?
 - 3.1.1. Insurance Provisions

4. Types of RESPs

- 4.1. Individual (Non-Family) Plans
 - 4.1.1. Naming a Replacement Beneficiary
 - 4.1.2. Making Contributions
- 4.2. Family Plans
 - 4.2.1. Naming an Additional Beneficiary
 - 4.2.2. Naming a Replacement Beneficiary
 - 4.2.3. Making Contributions
- 4.3. Group Plans
 - 4.3.1. Making Contributions

5. Overcontributions

- 5.1. Overcontribution Due to Transfer
- 5.2. Overcontributions Due to Replacement of Beneficiary
- 5.3. Penalty Tax on Overcontributions

6. RESP Accounts

6.1 Provincial Incentives

7. Transfers Between RESPs

7.1. Different Types of Transfers

7.2. Conditions for an Eligible Transfer

7.3. Recording Transfers

8. Distribution of Assets from an RESP

Section 2 – Education Savings Incentives

Chapter 2–1: The Basic Canada Education Savings Grant (CESG)

1. The Basic CESG – An Overview

1.1. How it Works

2. Eligibility Criteria

2.1. RESP Contributions and CESG Eligibility

2.2. Contributions and the CESG Age Limit

2.3. Contributions for 16 and 17 Year-Old Beneficiaries

2.3.1. Contributions Made Prior to 1998

3. Annual CESG Limits and Grant Room

4. Lifetime CESG Limits

5. Calculating the Basic CESG

6. Calculating Grant Room and Carry Forward

6.1. Grant Room and Family Residency

7. Applying for the Basic CESG

7.1. The Application Process – Basic CESG

7.2. Post-Application Checklist

8. Receiving and Depositing the CESG

8.1. Order of Payments

8.2. Sharing the CESG and Earnings – Family and Group Plans

8.3. Reasons for Non-Payment of the CESG

8.3.1. When Transactions are Rejected

8.3.2. When Payments are Refused

8.4. Condition for Payment of the CESG – Three-Year Rule

9. Repaying the CESG

9.1. The Repayment Process

9.2. Withdrawal of Assisted Contributions

9.2.1. Order of Contribution Withdrawals

9.2.2. Calculating the CESG Repayment – Withdrawal of Assisted Contributions

9.3. Withdrawing Pre-1998 Contributions

9.4. Other Repayment Circumstances

9.4.1. Calculating the Repayment Amount – Other Circumstances

9.5. Submitting Repayment Information to CESP

- 9.6. How Funds are Used to Repay the CESG
 - 9.6.1. When Sufficient Funds Exist in the RESP
 - 9.6.2. When Insufficient Funds Exist in the RESP and the Plan is Terminated

10. Other Transactions Involving the CESG

Chapter 2–2: The Basic and Additional Canada Education Savings Grant (CESG)

1. The Basic and Additional CESG – An Overview

- 1.1. How it Works

2. Eligibility Criteria

- 2.1. Basic CESG
- 2.2. Additional CESG
 - 2.2.1. Eligibility for a Child in Care
- 2.3. Types of RESPs and the CESG
- 2.4. RESP Contributions and CESG Eligibility
- 2.5. Contributions and the CESG Age Limit
- 2.6. Contributions for 16 and 17 Year-Old Beneficiaries
 - 2.6.1. Contributions Made Prior to 1998
- 2.7. The Primary Caregiver's SIN or Business Number
- 2.8. The Canada Child Tax Benefit (CCTB)
- 2.9. Payments under the *Children's Special Allowances Act (CSAA)*
- 2.10. PCG Used to Validate Eligibility for Additional CESG
- 2.11. Shared Custody
- 2.12. Tax Year Used to Validate Eligibility for Additional CESG

3. Annual CESG Limits and Grant Room

4. Lifetime CESG Limits

5. Calculating the Basic CESG

6. Calculating the Basic and Additional CESG

7. Calculating Grant Room and Carry Forward

- 7.1. Grant Room and Family Residency

8. Applying for the Basic and Additional CESG

- 8.1. The Application Process – Basic and Additional CESG
- 8.2. Post–Application Checklist
- 8.3. Correcting Primary Caregiver Information

9. Receiving and Depositing the CESG

- 9.1. Order of Payments
- 9.2. Sharing the CESG and Earnings – Family and Group Plans
- 9.3. Reasons for Non-Payment of the CESG
 - 9.3.1. When Transactions are Rejected
 - 9.3.2. When Payments are Refused
- 9.4. Condition for Payment of the CESG – Three-Year Rule

10. Repaying the CESP

- 10.1. The Repayment Process
- 10.2. Withdrawal of Assisted Contributions
 - 10.2.1. Order of Contribution Withdrawals
 - 10.2.2. Calculating the CESP Repayment – Withdrawal of Assisted Contributions
- 10.3. Withdrawing Contributions after March 22, 2004
- 10.4. Withdrawing Pre-1998 Contributions
- 10.5. Other Repayment Circumstances
 - 10.5.1. Calculating the Repayment Amount – Other Circumstances
- 10.6. Submitting Repayment Information to CESP
- 10.7. How Funds are Used to Repay the CESP
 - 10.7.1. When Sufficient Funds Exist in the RESP
 - 10.7.2. When Insufficient Funds Exist in the RESP and the Plan is Terminated

11. Other Transactions Involving the CESP

Chapter 2–3: The Canada Learning Bond (CLB)

1. The Canada Learning Bond (CLB) – An Overview

2. Eligibility Criteria

- 2.1. The Primary Caregiver's SIN or Business Number
- 2.2. The National Child Benefit Supplement (NCBS)
- 2.3. Payments under the *Children's Special Allowances Act*
- 2.4. Types of RESPs and the CLB
- 2.5. Primary Caregiver Must Designate the RESP for CLB Payments
- 2.6. CLB Entitlements, Earnings, and the RESP
- 2.7. Shared Custody
- 2.8. PCG Used to Validate Eligibility for CLB Payments

3. The CLB – How it Works

- 3.1. CLB Payments and Lifetime Limit
- 3.2. How CLB Entitlements are Tracked for an Eligible Beneficiary

4. Applying for the CLB

- 4.1. The Application Process – CLB
- 4.2. Post–Application Checklist

5. Receiving and Depositing the CLB

- 5.1. Sharing the CLB and Earnings – Family and Group Plans
- 5.2. Reasons for Non-Payment of the CLB
 - 5.2.1. When Transactions are Rejected
 - 5.2.2. When Payments are Refused
- 5.3. Condition for Payment of the CLB – Three-Year Rule

6. Repaying the CLB

- 6.1. Repayment Circumstances
- 6.2. Determining the Repayment Amount
- 6.3. Submitting Repayment Information to CESP
- 6.4. How Funds are Used to Repay the CLB
 - 6.4.1. When Sufficient Funds Exist in the RESP
 - 6.4.2. When Insufficient Funds Exist in the RESP and the Plan is Terminated

7. Other Transactions Involving the CLB

Chapter 2–4: The Alberta Centennial Education Savings Plan Grants (Alberta Grants)

1. The Alberta Grants – An Overview

1.1. How it Works

2. Eligibility Criteria

2.1. Alberta Centennial Education Savings Plan \$500 Grant

2.2. Alberta Centennial Education Savings Plan \$100 Grants

2.3. Age Limits and Application for the Alberta Grants

2.4. Residency of Parent or Legal Guardian

2.4.1. Legal Custody of Children

2.4.2. Families Moving into Alberta

2.4.3. Families Moving out of Alberta

2.5. School Attendance and the Alberta \$100 Grants

2.6. RESP Contributions and the Alberta \$100 Grants

3. The Alberta Grants and the RESP

4. Applying for the Alberta Grants

4.1. The Application Process – Alberta Grants

4.2. Post-Application Checklist

5. Receiving and Depositing the Alberta Grants

5.1. Multiple RESPs – Multiple Requests for the same Alberta Grant

5.2. Sharing the Alberta Grants

5.2.1. Sharing Earnings on the Alberta Grants

5.3. Reasons for Non-Payment of the Alberta Grants

5.3.1. When Transactions are Rejected

5.3.2. When Payments are Refused

5.4. Condition for Payment of the Alberta Grants – Three-Year Rule

5.5. Request for Ministry Review of a Denied Application or to Prevent the Denial of an Application

6. Repaying the Alberta Grant

6.1. Repayment Circumstances

6.2. Determining the Repayment Amount

6.3. Submitting Repayment Information to CESP

6.4. How Funds are Used to Repay the Alberta Grant

6.4.1. When Sufficient Funds Exist in the RESP

6.4.2. When Insufficient Funds Exist in the RESP and the Plan is Terminated

7. Other Transactions Involving the Alberta Grant

Chapter 2–5: Saskatchewan Advantage Grant for Education Savings (SAGES)

1. SAGES – An Overview

1.1. How it Works

2. Eligibility Criteria

2.1. RESP Contributions and Withdrawals

2.2. Contributions and the SAGES Age Limit

2.3. Contributions for 16 and 17 Year-Old Beneficiaries

3. Calculating SAGES Amounts

4. Annual SAGES Limits and SAGES Grant Room

4.1. Calculating SAGES Grant Room and Carry Forward

4.2. SAGES Grant Room and Beneficiary Residency Requirements

5. Lifetime SAGES Limits

5.1. SAGES Amounts in Educational Assistance Payments (EAPs)

6. Applying for SAGES

6.1. The Application Process – SAGES

6.2. Post-Application Checklist

6.3. Requesting SAGES Payments for RESP Contributions

7. Receiving and Depositing SAGES

7.1. Order of Payments

7.2. Sharing SAGES and Earnings

7.2.1. Family RESPs

7.3. Reasons for Non-Payment of SAGES

7.3.1. When Transactions are Rejected

7.3.2. When Payments are Refused

7.4. Time Constraints for SAGES Payments

7.4.1. Refusal Reason D (Late Transaction)

7.4.2. Refusal Reason O (Late SAGES Request)

8. Repaying SAGES

8.1. The Repayment Process

8.2. SAGES Repayments On Contribution Withdrawals

8.2.1. Calculating SAGES Repayments for Contribution Withdrawals

8.3. Other Repayment Circumstances

8.3.1. Calculating the Repayment Amount – Other Circumstances

8.4. Submitting Repayment Information to CESP

8.5. How Funds are Used to Repay SAGES

8.5.1. When Sufficient Funds Exist in the RESP and the Plan is Terminated

8.5.2. When Insufficient Funds Exist in the RESP and the Plan is Terminated

9. Other Transactions Involving SAGES

Section 3 – Transfers and Payments

Chapter 3–1: RESP Transfers and the Education Savings Incentives

1. What is an RESP Transfer and Who is Involved?

- 1.1. Responsibilities of the RESP Promoters
 - 1.1.1. Responsibilities for Administering the Incentives
- 1.2. Responsibilities of the CESP

2. RESP Accounts – What They Accomplish

3. Implications When Transferring Funds to Another RESP

- 3.1. Contribution History and Potential Tax Penalties
- 3.2. Transfer Conditions for the Education Savings Incentives
 - 3.2.1. Conditions for an Eligible Transfer of the CESG
 - 3.2.2. Conditions for an Eligible Transfer of the CLB
 - 3.2.3. Conditions for an Eligible Transfer of the Alberta Grants
 - 3.2.4. Conditions for an Eligible Transfer of SAGES
 - 3.2.5. Ineligible Transfers and Repayments
 - 3.2.6. When the Receiving Promoter Does not Offer Additional CESG
 - 3.2.7. When the Receiving Promoter Does not Offer CLB
- 3.3. Earliest Effective Date of the Plan

4. Types of Transfers

- 4.1. Partial Transfers
 - 4.1.1. Step 1 – Determining the Proportion of Amounts to be Transferred
 - 4.1.2. Step 2 – Calculating the Proportion of the CESG and the Provincial Incentives
 - 4.1.3. Example of a Partial Transfer – When there is a Loss in the Plan
 - 4.1.4. Partial Transfers Subject to Transfer Conditions

5. Transfer Forms

- 5.1. Forms Overview
- 5.2. Once the Forms have been Completed

6. Guidelines for Successful Transfers

- 6.1. Mandatory Fields and ITS Requirements
- 6.2. Transfer Transaction Types
- 6.3 When there is a Pending Incentive
- 6.4. Processing Transfer Transactions
 - 6.4.1. Processed Transfer Transactions
 - 6.4.2. Rejected Transfer Transactions

7. An Overview of the Transfer Process

Chapter 3–2: Post-Secondary Education and Educational Assistance Payments (EAPs)

1. Defining Post-Secondary Education

- 1.1. Qualifying Educational Programs – Full-time Studies
- 1.2. Specified Educational Programs – Part-time Studies
- 1.3. Distance Learning

2. Post-Secondary Educational Institutions

2.1 Educational Institutions Recognized for EAP Purposes

3. EAPs

3.1. Can Incentives and Earnings in the Plan be Shared?

3.2. Income for the Beneficiary

3.3. The RESP Promoter's Responsibility

3.4. Confirm Beneficiaries Qualify for an EAP

4. EAP Limits

4.1. Full-time Studies – \$5,000 EAP Limit for First 13 Weeks

4.2. Part-time Studies – \$2,500 EAP Limit for the 13 Weeks Preceding Payment

4.3. EAP Limits for RESPs Opened Before 1998

5. Processing an EAP Request

5.1. Special Requests for EAPs in Excess of the \$5,000 or \$2,500 Limits

5.1.1. Full-Time Studies – EAPs in Excess of \$5,000

5.1.2. Part-Time Studies – EAPs in Excess of \$2,500

6. Calculating the EAP

6.1. The EAP Calculation Process

6.1.1. Determine if the RESP Includes Accumulated Income

6.1.2. Determine Amounts Available to the Beneficiary

6.1.3. Calculate EAP Portions to Withdraw from Each Available Account

6.2. Understanding EAP Formulas

6.2.1. When the RESP Has Accumulated Income

6.2.2. When the RESP Has No Accumulated Income (Loss in the Plan)

7. Calculating the Incentive Portions of the EAP – In an RESP With Earnings

7.1. Step 1 – Determine if the RESP Includes Accumulated Income

7.2. Step 2 - Determine Amounts Available to Beneficiary

7.3. Step 3 – Calculate EAP Portions to Withdraw from each Available Account

7.4. Breakdown of the EAP

8. Calculating the Incentive Portions of the EAP – in an RESP Without Earnings

8.1. Step 1 – Determine if the RESP Includes Accumulated Income

8.2. Step 2 - Determine Amounts Available to Beneficiary

8.3. Step 3 – Calculate EAP Portions to Withdraw from each Available Account

8.4. Breakdown of the EAP

9. EAP Values Reported to the CESP

Chapter 3–3: Options for Assets Remaining in the RESP

1. Option: When Assets Remain in the RESP

1.1. Options for Handling RESP Property Remaining in the RESP

2. Option: Distributing Earnings if Terminating the RESP

3. Accumulated Income Payments

3.1. Conditions for an AIP

3.2. When an AIP is Made from an RESP

3.2.1. Remaining Incentives Must be Repaid

3.2.2. The RESP Must be Terminated

4. Rollover of RESP Investment Earnings to an RDSP

- 4.1. RESP – RDSP Rollover Conditions
 - 4.1.1. RDSP Rollover Conditions
 - 4.1.2. RESP Rollover Conditions
- 4.2. Rollovers From RESP Family Plans
- 4.3. Specimen Plan
- 4.4. RESP Rollover Election – Prescribed Information
- 4.5. Roles and Responsibilities

5. Rollover of RESP Investment Earnings to an RRSP

6. Payments to a Designated Educational Institution

7. Forfeited CESG and Earnings on the CESG in Group Plans

Section 4: Appendices

Appendix A: Application Forms – Education Savings Incentives

1. An Overview – HRSDC Application Forms

- 1.1. Which Form to Use
- 1.2. Downloading the Application Forms

2. Basic Canada Education Savings Grant Application (SDE 0069)

- 2.1. Overview – SDE 0069
- 2.2. Part A – Subscriber (SDE 0069)
- 2.3. Part B – Custodial Parent or Legal Guardian (SDE 0069)

3. Basic and Additional Canada Education Savings Grant and Canada Learning Bond Application (SDE 0071)

- 3.1. Overview – SDE 0071
- 3.2. Part A – Subscriber (SDE 0071)
- 3.3. Part B – Custodial Parent or Legal Guardian or Beneficiary aged 18 or older (SDE 0071)
- 3.4. Part C – Primary Caregiver (SDE 0071)

4. Basic and Additional Canada Education Savings Grant and Canada Learning Bond Application – Subscriber Only (SDE 0073)

- 4.1. Overview – SDE 0073
- 4.2. Completing the “Subscriber-Only” Form (SDE 0073)

5. Application for Alberta Centennial Education Savings Grants

- 5.1. Overview
- 5.2. Completing the Application for Alberta Centennial Education Savings Grant

Appendix B: A Quick Reference – Eligibility Criteria for Education Savings Incentives

1. Eligibility for Basic and Additional CESG

- 1.1. Eligibility for a “Child in Care”

2. Eligibility for CLB

3. Eligibility for the Alberta \$500 Grant

4. Eligibility for Alberta \$100 Grants

5. Eligibility for SAGES

Appendix C: Acronyms and Definitions

1. List of Acronyms
2. List of Definitions

Appendix D: Forms Index – Education Savings Incentives

1. Alphabetical List of Forms

Appendix E: Understanding Error Codes

1. Background Information
 - 1.1. What is an Error Code?
 - 1.2. How are Error Codes Reported to Promoters?
 - 1.3. How does an Error Code differ from a Refusal Reason?
 - 1.4. Using this document
2. Error Codes

Appendix F: Understanding Refusal Reasons

Background Information

What is a Refusal Reason?
How are Refusal Reasons Reported to Promoters?
How does a Refusal Reason differ from an Error Code?
Using this appendix
Transaction Records

Refusal Reason 1 - Annual limit exceeded

Refusal Reason 2 - Lifetime contribution limit exceeded

Refusal Reason 3 - Age of Beneficiary

Refusal Reason 4 - PCG or Beneficiary information not matched with CRA info

Refusal Reason 5 - Specimen Plan not eligible

Refusal Reason 6 - Transaction requested no grant

Refusal Reason 7 - Failed 16/17 year rule

Refusal Reason 8 - CLB will not be paid for this benefit year

Refusal Reason 9 - Other

Refusal Reason A - Specimen Plan not approved for CLB

Refusal Reason B - Invalid Beneficiary

Refusal Reason C - Request not designated to attract CLB for the Beneficiary

Refusal Reason D - Late transaction

Refusal Reason E - Lifetime limit exceeded

Refusal Reason F - Anti-churning rule violation

Refusal Reason G - Contribution transaction date earlier than January 1, 2005

Refusal Reason H - PCG information is missing

Refusal Reason I - The PCG SIN is not numerically valid

Refusal Reason J - Contract is not an individual/sibling only contract

Refusal Reason K - \$100 contribution not met

Refusal Reason L - PCG SIN or Agency BN not matched by CRA

Refusal Reason M - PCG custody not confirmed by CRA

Refusal Reason N - SIN has been flagged by SIR

Refusal Reason O - Late SAGES Request



Canada Education Savings Program – RESP Provider User Guide

OVERVIEW

How to Use this Guide

The Canada Education Savings Program (CESP) within Employment and Social Development Canada (ESDC), is pleased to provide the Registered Education Savings Plan (RESP) Provider User Guide.

This Guide is intended to provide RESP Providers with comprehensive information relating to the key concepts, systems and processes associated with the following education savings incentives:

- Canada Education Savings Grant (CESG)
- Canada Learning Bond (CLB)
- Alberta Centennial Education Savings Plan Grants (Alberta Grants)
- Saskatchewan Advantage Grant for Education Savings (SAGES)

See **Appendix C** for a list of acronyms and terms used in this guide.

In this Overview

- | | |
|---------------------------------------|-------|
| 1. Who Should Read this Guide? | I – 2 |
| 2. How Information is Organized | I – 2 |

1. Who Should Read this Guide?

Any person involved in offering RESPs to the public will benefit from using the *RESP Provider User Guide*.

The Guide includes step-by-step procedures associated with the education savings incentives processes, as well as knowledge-building components. In addition, it provides access to reference information, quick reference tools, and links to downloadable forms, all of which have been designed to help you in assisting your clients in applying for and receiving the applicable education savings incentives on behalf of eligible beneficiaries.

Please note that throughout the Guide, the term **RESP Provider** is used to refer to those involved in the processes associated with offering RESPs and the education savings incentive(s). The nature of each individual's involvement with a particular process (e.g. submitting electronic transactions to the CESP), depends on how responsibilities have been assigned within each organization.

2. How Information is Organized

The information in this Guide is organized into four main sections:

Section 1: Introduction – This section introduces the education savings incentives administered by the CESP, ESDC. In addition, it provides background information about RESPs and outlines key concepts and system related information associated with the incentives application and payment processes.

Section 2: Education Savings Incentives – This section of the Guide provides detailed description(s) of the education savings incentive(s), as well as associated regulations, key concepts, and processes.

Section 3: Transfers and Payments – This section of the Guide focuses on the activities related to making transfers and payments from the RESP, with particular attention to how they may impact the education savings incentive(s) paid into the RESP.

Section 4: Appendices – This section of the Guide provides instructions for completing the incentive application forms, links to these and other downloadable CESP forms, as well as a number of other useful reference tools.



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http://www.esdc.gc.ca/eng/jobs/student/promoters/user_guide/index.shtml

Canada Education Savings Program – RESP Provider User Guide

CHAPTER

1-1

ESDC's Education Savings Incentives Program

Employment and Social Development Canada (ESDC) is responsible for the administration and delivery of a number of education savings incentives available to eligible beneficiaries of Registered Education Savings Plans (RESPs). Within ESDC, the Canada Education Savings Program (CESP) provides the delivery mechanism and necessary system supports for the effective administration of the following education incentives:

- Canada Education Savings Grant (CESG)
- Canada Learning Bond (CLB)
- Alberta Centennial Education Savings Plan Grants (Alberta Grants)
- Saskatchewan Advantage Grant for Education Savings (SAGES)

This chapter provides an at-a-glance overview of each of these incentives. It also outlines the roles and responsibilities of the individuals and organizations that facilitate and participate in the process associated with each incentive.

See **Appendix C** for a list of acronyms and terms used in this guide.

In this chapter

1. The Education Savings Incentives	1 – 1 – 2
2. An Overview of Roles and Responsibilities	1 – 1 – 6
3. Federal and Provincial Privacy Requirements	1 – 1 – 11
4. The CESP Process – An Overview	1 – 1 – 13

1. The Education Savings Incentives

The purpose of education savings incentives is to encourage families to plan and save for their children’s post-secondary education while the children are young. By getting an early start in making contributions to an RESP and applying for the incentives for which children qualify, families can take full advantage of these incentives.

The **federal education savings incentives** administered by CESP include:

- CESG
- CLB

The *Canada Education Savings Act* authorizes the payment of CESG and CLB.

An RESP can also include **provincial incentives** paid from designated provincial programs. Payments made into an RESP through a designated provincial program are treated the same way as federal grants or bonds and do not attract federal grants or bonds themselves. These payments are not considered to be contributions to an RESP.

The Alberta Grants are provincial incentives paid under a designated provincial program. CESP administers this incentive through an agreement between ESDC and the Government of Alberta.

The SAGES is a provincial incentive paid under a designated provincial program. CESP administers this incentive through an agreement between ESDC and the Government of Saskatchewan.

The Quebec Education Savings Incentive (QESI) is a provincial incentive paid under a designated provincial program established under Quebec legislation. CESP does not administer this provincial incentive.

As contributions and savings incentives are deposited to the RESP over time, earnings in the plan are not taxable until they can be used to offset the cost of a child’s post-secondary education.

1.1. The CESG At-a-Glance

CESG consists of **Basic CESG** rates (introduced in 1998) and **Additional CESG** rates (introduced in 2005) on RESP contributions made in respect of eligible beneficiaries.

CESP pays the following in respect of an eligible beneficiary:

- **Basic CESG rate of 20%** on contributions made to an RESP in respect of a beneficiary. The amount of annual Basic CESG payable per beneficiary is limited to the lesser of the following amounts:
 - accumulated grant room available for the beneficiary
 - Basic CESG annual limit per beneficiary
- **Additional CESG rate of 10% or 20%** on the first \$500 or less of RESP contributions made in respect of a beneficiary, based on the adjusted family net income of the beneficiary’s primary caregiver (PCG).

Eligibility for the Additional CESG Rates

Additional CESG rates are based on the primary caregiver’s adjusted family net income:

Additional 10%	Adjusted family net income is more than \$43,953* but not more than \$87,907*
Additional 20%	Adjusted family net income is \$43,953* or less or the child is in the care of an Agency which receives payments under the <i>Children’s Special Allowances Act</i> (CSA)

** These figures are based on 2014 income levels; income levels are indexed yearly.*

Through an information sharing process, the Canada Revenue Agency (CRA) confirms to CESP those beneficiaries eligible to receive the Additional 10% and 20% CESG rates, based on their primary caregiver’s adjusted family net income.

To learn more about CESG eligibility criteria, information requirements, program-related rules, and application processes, see **Chapter 2-1: The Basic Canada Education Savings Grant (CESG)** or **Chapter 2-2: The Basic and Additional Canada Education Savings Grant (CESG)**.

1.1.1. Grant Room and Carry Forward

As of 1998, grant room (unused Basic CESG amounts) accumulates for a child until the end of the year in which the child turns 17, even if the child is not a beneficiary of an RESP. Unused Basic CESG amounts can be carried forward for possible use in future years.

- **1998 to 2006:** \$400 is added to the grant room for each eligible child per year since 1998 (or since birth if the child was born after 1998).
- **Since 2007:** \$500 is added to the grant room for each eligible child per year since 2007 (or since birth if the child was born after 2007).

A decision to pay Additional CESG is made yearly, based on applicable income information at that time. Consequently, Additional CESG amounts **cannot be carried forward** to the following year. However, grant room is not affected by Additional CESG payments made to an RESP in respect of a beneficiary.

1.2. The CLB At-a-Glance

The CLB is available for each child, born in 2004 or later, whose primary caregiver is eligible for the National Child Benefit Supplement (NCBS), or for payments under the *Children’s Special Allowances Act* (CSAA) (for children in care).

The CLB is an entitlement directed to a specific child and consists of two types of payments:

- **initial CLB of \$500** for the first year a child’s primary caregiver qualifies for and receives the NCBS or a payment under the CSAA
- **subsequent CLB of \$100** for each year that the child’s primary caregiver is entitled to and receives the NCBS or a payment under the *Children’s Special Allowances Act*, up to and including the year the child turns 15

CRA assesses a family’s eligibility for the NCBS each year. Therefore, eligibility for the CLB may change from year to year depending on whether or not the primary caregiver continues to qualify for and receive the NCBS. For more information, visit: The National Child Benefit web site at <http://www.cra-arc.gc.ca/bnfts/ncb-eng.html>.

Accumulated CLB entitlements can be requested up to the eligible child’s 21st birthday. After that, all accumulated CLB entitlements will be forfeited.

CLB Entitlements Tracked by ESDC

ESDC will keep track of CLB entitlements as they accumulate for each child, even when the child has not been named as the beneficiary of an RESP.

The CLB does not depend on contributions made to the RESP. However, a subscriber must open an RESP and name a child as a beneficiary before CLB entitlements can be paid.

To learn more about CLB eligibility criteria, information requirements, program-related rules, and application processes, see **Chapter 2-3: The Canada Learning Bond (CLB)**.

1.3. The Alberta Grants At-a-Glance

The Alberta Grants are available for children whose parent(s) or legal guardian(s) is a resident of Alberta. The Alberta Grants consist of two types of payments:

- **one Alberta Grant Payment of \$500** for children born in 2005 or later. Application for this grant must be made within a specified time
- **three Alberta Grant Payments of \$100** each for eligible children at the age of 8, 11 or 14 years on or after January 1, 2005. Application for each of these three grants must be made within a specified time

To learn more eligibility criteria for Alberta Grants, information requirements, program-related rules, and application processes and timelines, see **Chapter 2-4: The Alberta Centennial Education Savings Plan Grants (Alberta Grants)**.

1.4. SAGES At-a-Glance

The SAGES is available for RESP contributions made on or after January 1, 2013 in respect of beneficiaries who are residents of Saskatchewan.

Saskatchewan matches 10% of RESP contributions in SAGES amounts, up to \$250 per beneficiary for each eligible year, until the end of the calendar year in which the beneficiary turns 17. Total SAGES payments per beneficiary could reach \$4,500 if the beneficiary is eligible from birth until age 17.

While each eligible beneficiary’s SAGES grant room increases by \$250 per eligible year, the annual SAGES amount that can be paid per beneficiary is limited to the lesser of the following two amounts:

- accumulated SAGES grant room for the beneficiary
- SAGES annual limit of \$500.

To learn more about SAGES eligibility criteria, information requirements, program-related rules, and application processes and timelines, see **Chapter 2-5: Saskatchewan Advantage Grant for Education Savings (SAGES)**.

2. An Overview of Roles and Responsibilities

To administer the payment of education savings incentives, CESP partners with:

- RESP promoters
- CRA
- Social Insurance Registry (SIR)
- Government of Alberta
- Government of Saskatchewan

Each organization shares information and manages processes that enable CESP to deposit the education savings incentives into an RESP in respect of an eligible beneficiary.

The subscriber and the child’s parent(s), primary caregiver, or legal guardian, each plays a key role.

The following pages provide an overview of their respective roles and responsibilities, starting with the subscriber.

2.1. The Subscriber

In order for a beneficiary to receive any of the education savings incentives, the subscriber must meet with a **participating RESP promoter** and:

- open an Education Savings Plan (ESP), name a beneficiary, and request that the ESP be registered with CRA via CESP.

Note: To receive the Additional CESG and/or the CLB, the ESP must be an individual (non-family) plan, or a family plan in which all beneficiaries are siblings, and it must be registered by CRA.

- ensure the beneficiary meets all eligibility criteria for the incentive(s)
- make contributions to the RESP that do not exceed limits.

Note: Payment of the CLB and the Alberta \$500 Grant do not depend on contributions. However, the deposit of contributions is a pre-requisite for the CESG, the Alberta \$100 Grants and SAGES.

- apply for the incentive(s) in respect of an eligible beneficiary by completing the appropriate application form. See **Appendix A: Application Forms – Education Savings Incentives**.

Information Required from the Subscriber

To register the ESP, the **subscriber** must present the RESP promoter with the following information:

In all cases:

- The subscriber’s Social Insurance Number (SIN)
- The beneficiary’s SIN, name, and date of birth

If applying for the Additional CESG and/or the CLB:

- The primary caregiver’s SIN or the Business Number (BN) of the agency responsible for a child in care.

The subscriber is responsible for informing the RESP promoter of any changes to **beneficiary** information (e.g. change of residency).

2.2. Parent, Legal Guardian, or Primary Caregiver

Payment of the incentives administered by the CESG requires the beneficiary’s SIN.

As a first step, the parent, legal guardian, or **primary caregiver** must:

- obtain a copy of the child’s birth certificate
- apply for and obtain a SIN for the child

To apply for the Additional CESG and/or the CLB, primary caregivers must:

- provide their SIN
- designate the RESP into which CLB payments should be deposited

Note: By completing and signing the application form, the primary caregiver is providing their consent to income verification by CRA and also designates that plan to receive CLB, if applicable. For more information, see **Appendix A: Application Forms – Education Savings Incentives**.

For Alberta Grants, the parent or legal guardian must complete and sign the Application for Alberta Centennial Education Savings Plan Grants. For SAGES, the subscriber and the parent or legal guardian (if applicable) must complete and sign the Application for Saskatchewan Advantage Grant for Education Savings.

2.3. The RESP Promoter

Throughout the RESP life cycle, the RESP promoter is responsible for managing the information and transactional processes associated with the RESP and education savings incentives requirements.

These responsibilities include the following:

- **Enroll with CRA as an RESP promoter.** During this process, RESP promoters will submit proposed Specimen Plans to CRA. Upon approval, they will receive a specimen number for each plan.

- **Enroll with ESDC as a participating RESP promoter.** This requires the RESP promoter and their trustee to:
 - enter into a formal agreement with ESDC in order to offer the applicable education savings incentives
 - undergo and pass industry systems testing to ensure compliance with CESP system requirements

For more information about the enrollment process contact CESP at:
cesp-pcee@hrsdc-rhdcc.gc.ca

Once recognized as a participating RESP promoter, promoters can assist their clients in opening RESPs so that eligible beneficiaries can benefit from the education savings incentives administered by CESP.

The RESP promoter is responsible for:

- collecting from the subscriber the information required to open and register an ESP and to apply for the education savings incentive(s). This information must be protected according to federal and provincial privacy requirements. See **3. Federal and Provincial Privacy Requirements**, later in this chapter;
- registering ESPs with CRA via CESP;
- assisting subscribers in applying for the applicable education savings incentives in respect of eligible beneficiaries;
- submitting contract and financial information to CESP. This information includes RESP and incentive-related data and is submitted to CESP electronically, according to a specified format. See **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)**;
- ensuring contributions (assisted and unassisted), earnings, CESG, CLB and provincial incentives (such as Alberta Grants, SAGES and the Quebec Education Savings Incentive) are tracked using separate **RESP accounts** in an RESP;
- advising the subscriber when incentive payments are received or if repayments are required;
- transferring funds to another RESP based on direction from the subscriber. This may include collaborating and communicating with other RESP promoters;
- maintaining a record of all RESP transactions. This information, which must be reported electronically to CESP, includes all:
 - contributions
 - withdrawals
 - EAPs
 - transfers
 - other transactions
- receiving requests for EAPs from the subscriber or beneficiary, and verifying the beneficiary's eligibility for such payments;
- making EAPs and calculating the portion of the EAP attributable to each incentive. See **Chapter 3-2: Post-Secondary Education and Educational Assistance Payments (EAPs)**; and

- advising the subscriber of potential options for distributing funds remaining in the RESP prior to terminating the RESP, including:
 - accumulated income payment (AIP);
 - rollover of RESP investment earnings into a Registered Disability Savings Plan (RDSP);
 - direct contributions of accumulated earnings to the Registered Retirement Savings Plan (RRSP) of the subscriber or the subscriber’s spousal RRSP; or
 - payment to a designated post-secondary educational institution.

See **Chapter 3-3: Options for Assets Remaining in the RESP**.

Unless otherwise specified, the procedures associated with each of the above responsibilities are included in **Section 2: Education Savings Incentives**.

2.4. Employment and Social Development Canada

ESDC is responsible for the administration and delivery of a number of education savings incentives available to eligible beneficiaries of RESPs. Within ESDC, the CESP provides the delivery mechanism and necessary system supports for the effective administration of these incentives. The CESP:

- receives the contract, beneficiary, and subscriber information needed to register ESP contracts, verifies this information, and communicates the request to register the ESP with CRA;
- administers the education savings incentives authorized by the *Canada Education Savings Act*. This includes the CESG and the CLB;
- determines eligibility for the Additional CESG and for the CLB, based on information pertaining to the beneficiary’s primary caregiver. This information is obtained through an information-sharing process with CRA;
- processes payments of Alberta Grants in collaboration with the Government of Alberta;
- processes SAGES payments in collaboration with the Government of Saskatchewan; and
- receives and processes transactions submitted to the CESP system. This includes information associated with:
 - the RESP contract;
 - the beneficiary and subscriber; and
 - various financial transactions.

The procedures within this guide outline how CESP interacts with the RESP provider in each of these circumstances.

2.5. Canada Revenue Agency

The effective administration of CESP depends on the collaborative partnership with CRA.

CRA is responsible for:

- administering the registration of ESPs according to the requirements set out under the *Income Tax Act* (ITA)
- sharing information for the purposes of confirming a beneficiary’s eligibility for the Additional CESG and the CLB with the CESP

For the purposes of the Additional CESG, CRA confirms eligibility based on the primary caregiver’s adjusted family net income. See **Chapter 2-2: The Basic and Additional Canada Education Savings Grant (CESG)**.

For the purposes of the CLB, CRA confirms the primary caregiver’s eligibility for the National Child Benefit Supplement (NCBS). See **Chapter 2-3: The Canada Learning Bond (CLB)**.

- confirming a beneficiary is a child in care of an agency receiving payments under the CSAA

2.6. Alberta Government

The Government of Alberta:

- funds the Alberta Grants program
- collaborates / cooperates with ESDC to deliver this initiative

Within ESDC, CESP utilizes the CESP system and the existing program framework to administer and deliver Alberta Grants on behalf of the province of Alberta.

See **Chapter 2-4: The Alberta Centennial Education Savings Plan Grants (Alberta Grants)**.

2.7. Saskatchewan Government

The Government of Saskatchewan:

- funds the SAGES program; and
- collaborates / cooperates with ESDC to deliver this initiative.

Within ESDC, CESP utilizes the CESP system and the existing program framework to administer and deliver SAGES on behalf of the province of Saskatchewan.

See **Chapter 2-5: Saskatchewan Advantage Grant for Education Savings (SAGES)**.

3. Federal and Provincial Privacy Requirements

Certain eligibility criteria associated with the RESP and education savings incentives, require the RESP promoter to collect or verify information provided by the subscriber and a child’s parent, legal guardian, or primary caregiver when applying for a particular education savings incentive.

For example:

- When opening an RESP, subscribers must provide their SIN, as well as the beneficiary’s SIN. All applications for ESDC education savings incentives require the SIN for the beneficiary, the subscriber, and in some cases the child’s primary caregiver.
- The application for an Alberta Grant requires proof that a parent or guardian is a resident of the province of Alberta, such as a valid Alberta Driver’s License, valid Alberta Health Insurance Card, or utility bills for proof of address.

RESP promoters can assure their clients that any information provided during the RESP and incentive application process will respect the client’s privacy in compliance with federal and provincial privacy legislation.

Federal and provincial privacy legislation stipulate how organizations in the private sector must manage the collection, storage and use of personal information. Therefore, when assisting clients to apply for any of the above incentives, it is important to be aware of and understand the privacy legislation in place in each jurisdiction. These are summarized below.

3.1. Federal Privacy Legislation

Canada has two federal privacy laws:

- *Privacy Act*
- *Personal Information Protection and Electronic Documents Act (PIPEDA)*

The *Privacy Act* gives all individuals present in Canada access to federal information about themselves, and specifies how the government can collect, use, disclose, and retain personal information. It requires that government institutions develop and maintain an index of personal information holdings called Personal Information Banks (PIBs).

The index is a means of organizing information for the purpose of public access and ensures that PIBs are registered, approved, and identified in **InfoSource**.

The Act provides the legal framework for protecting personal information, accessing personal information, data-matching, and controlling the use of SINs. For more information about the *Privacy Act*, visit the web site for the Office of the Privacy Commissioner of Canada at www.priv.gc.ca/index_e.asp.

The PIPEDA is federal legislation that protects personal information. PIPEDA sets out principles that organizations, individuals, associations, partnerships, and trade unions must follow when collecting, using, and disclosing personal information in the course of a commercial activity.

PIPEDA applies to the commercial activities of the federally regulated private sector (such as banks), the retail sector, publishing companies, the service industry, manufacturers, and other provincially regulated organizations.

For more information about PIPEDA, visit the web site for the Office of the Privacy Commissioner of Canada at www.priv.gc.ca/index_e.asp.

The federal government may exempt organizations or activities in provinces that have their own privacy laws if they are substantially similar to the federal law. PIPEDA will continue to apply in those provinces to the federally regulated private sector and to personal information in inter-provincial and international transactions by all organizations engaged in commercial activities.

Oversight of both federal Acts rests with the Privacy Commissioner of Canada who is authorized to receive and investigate complaints.

3.2. Provincial Privacy Legislation

The province of Alberta has its own privacy legislation:

- *The Personal Information Protection Act (PIPA)*

The **PIPA** also governs the collection, use, and disclosure of personal information by businesses and other organizations. It provides individuals with a general right of access to, and correction of, their personal information.

For more information about PIPA, visit the web site for the Office of the Information and Privacy Commissioner of Alberta at www.oipc.ab.ca.

The province of Saskatchewan has its own privacy legislation:

- *The Freedom of Information and Protection of Privacy Act (FOIP)*.

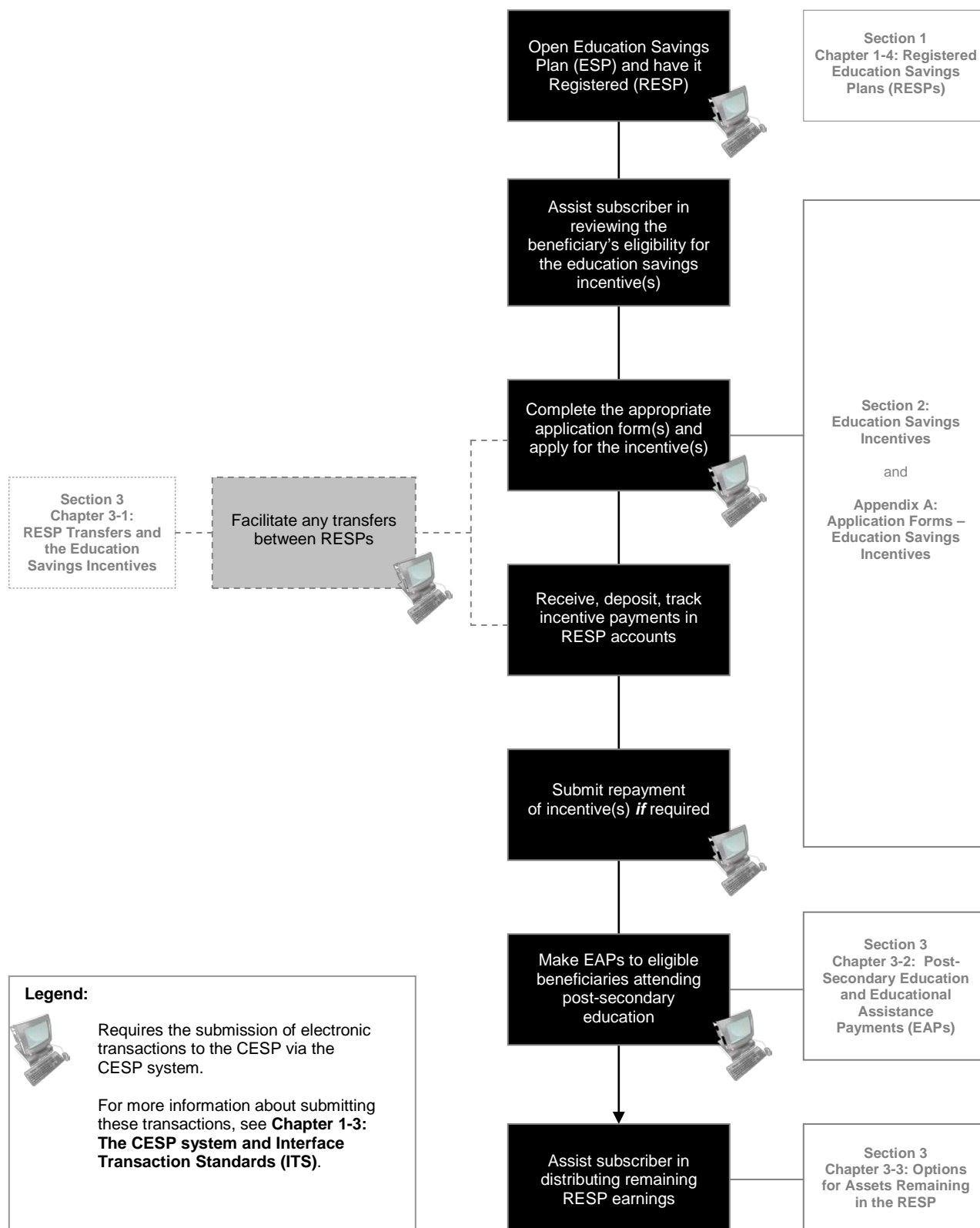
The **FOIP** governs the collection, use, and disclosure of personal information by a government institution. It provides individuals with a general right of access to, and correction of, their personal information.

For more information about FOIP, visit the web site for the Office of the Information and Privacy Commissioner of Saskatchewan at www.oipc.sk.ca.

4. The CESP Process – An Overview

The following illustration provides an at-a-glance snapshot of the incentive application and payment process.

Education Savings Incentives – Application and Payment Process





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http://www.esdc.gc.ca/eng/jobs/student/promoters/user_guide/index.shtml

Canada Education Savings Program – RESP Provider User Guide

CHAPTER

1-2

Key Concepts

There are a number of legislative and program elements that govern the delivery and administration of the education savings incentives administered by the Canada Education Savings Program (CESP), Employment and Social Development Canada (ESDC). Throughout this guide, these elements are referred to as “key concepts”.

Unless otherwise indicated, the key concepts in this chapter apply to all incentives. To view concepts that are unique to a particular incentive, refer to the related chapter in **Section 2: Education Savings Incentives**. Relevant key concepts appear immediately following the corresponding eligibility criteria.

An understanding of these concepts and requirements will allow Registered Education Savings Plan (RESP) promoters to assist the subscriber to apply for and receive the incentive(s) for which they qualify.

See **Appendix C** for a list of acronyms and terms used in this guide.

In this chapter

1. Legislative Authorities – ESDC and CRA	1 – 2 – 2
2. RESPs	1 – 2 – 2
3. RESP Contribution Limits	1 – 2 – 2
4. Social Insurance Number (SIN)	1 – 2 – 3
5. The Beneficiary’s SIN – A Unique Identifier	1 – 2 – 3
6. RESP Accounts and the Education Savings Incentives	1 – 2 – 4
7. Key Concepts Specific to Incentives	1 – 2 – 6

1. Legislative Authorities – ESDC and CRA

ESDC and the Canada Revenue Agency (CRA) work together in administering the education savings incentives and RESPs. They do so under the following legislative authorities:

- The ***Income Tax Act (ITA)*** governs RESPs – the vehicle used to deposit education savings incentives and save for the beneficiary's post-secondary education.
- The ***Canada Education Savings Act (CESA)*** authorizes payment of the Canada Education Savings Grant (CESG) and the Canada Learning Bond (CLB).
- The ***Canada Education Savings Regulations*** determine eligibility for the CESG and the CLB.
- The ***Alberta Centennial Education Savings Plan Act*** authorizes eligibility for and payment of the initial and subsequent Alberta Grants .
- The ***Saskatchewan Advantage Grant for Education Savings Act*** authorizes eligibility for and payment of the Saskatchewan Advantage Grant for Education Savings (SAGES).

2. RESPs

The subscriber initiates the incentive application process by entering into an Education Savings Plan (ESP) with an RESP promoter and requesting the ESP to be registered with CRA. Once successfully registered, it becomes an RESP. The RESP then becomes the repository for contributions, incentive payments, and accumulated earnings. See **Chapter 1-4: Registered Education Savings Plans (RESPs)**.

Certain incentives may have particular RESP-related requirements. Such requirements are addressed within the related incentive chapters in **Section 2: Education Savings Incentives**.

3. RESP Contribution Limits

From 1998 to 2006, the ITA limited RESP annual contributions to a maximum of \$4,000 and lifetime contributions to a maximum of \$42,000 per beneficiary. For 2007 and future years, there is no longer an annual contribution limit and the lifetime contribution limit is \$50,000 per beneficiary.

The payment of incentives is not included when calculating total RESP contribution limits. For example (contributions made prior to 2007):

<i>If contributions paid into an RESP</i>	=	\$4,000
<i>And if the Basic CESG paid into the RESP</i>	=	\$ 400
<i>And the total in the RESP</i>	=	\$4,400

*The annual RESP contribution limit of \$4,000 would not have been exceeded. See **Chapter 1-4: Registered Education Savings Plans (RESPs)**.*

4. Social Insurance Number

The Social Insurance Number (SIN) is a key information element used by the CESP system. See **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)**.

A SIN is also needed for both the subscriber and beneficiary in order to establish and register an ESP.

The Additional CESP and CLB require additional SIN information from the primary caregiver. When applying for incentives, verify SIN requirements outlined with the individual incentive chapters in **Section 2: Education Savings Incentives**.

5. The Beneficiary's SIN – A Unique Identifier

The beneficiary's SIN is used by the CESP system to:

- Provide CRA with registration information about the plan.
- Track RESP contributions and incentive payments for the beneficiary.
- Determine when the beneficiary's annual and lifetime RESP limits have been reached.
- Determine when the beneficiary's incentive limits have been reached.

The beneficiary's SIN is subject to rigorous validation checks. It is critical to verify the accuracy of the beneficiary's SIN when completing the RESP process and applying for incentives. An inaccurate SIN will delay ESP registration as well as payment of the incentives. (See box below.)

Accurate Information Ensures Incentive Requests Can be Processed

The beneficiary must be established in the CESP system before a request for an incentive can be processed. To do this, the beneficiary's SIN is compared and validated against five key data elements held in the Social Insurance Registry (SIR):

- first name
- last name
- date of birth
- SIN
- sex

When applying for the incentives, the RESP promoter must submit beneficiary information that matches the data held at SIR. Otherwise, an error report will be sent to the RESP promoter, identifying the field(s) in error. Until the correction is made and resubmitted to the CESP system, payment of the incentives will be delayed. See **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)**.

5.1. Applying for a SIN

The SIN application form, along with instructions, can be obtained from a Service Canada office or the following Web address:

<http://www.servicecanada.gc.ca/eng/sc/sin/index.shtml>

6. RESP Accounts and the Education Savings Incentives

An RESP is comprised of the following **RESP accounts**:

- assisted Contributions made to the RESP by the subscriber
- unassisted Contributions made to the RESP by the subscriber
- CESG
- CLB – maintained separately for each beneficiary
- provincial incentives - accounts maintained separately for each designated provincial program
- earnings

RESP promoters must track financial transactions within these RESP accounts for each beneficiary and for each plan.

When a financial transaction is processed in respect of the beneficiary, funds are deposited into or withdrawn from the appropriate account depending on the nature of the financial transaction.

For example, contributions are deposited into the contribution account; incentives are deposited into the related incentive account (e.g. the CESG is deposited into the CESG account, the Alberta Grants are deposited into the Alberta Grants account etc.)

For incentives administered by CESP, the CESP system tracks these various activities, by beneficiary, to ensure incentive limits are not exceeded. Also, should all or a portion of an incentive have to be repaid, the amount will ultimately be withdrawn (repaid) from the RESP account for that incentive.

Requirements for reporting RESP transactions to the CESP are specified in the CESP Interface Transaction Standards (ITS) which can be downloaded from the following Web address:

<http://www.esdc.gc.ca/eng/jobs/student/promoters/index.shtml#tab3>

6.1. Provincial Incentives

An RESP promoter must be able to track transactions associated with each of the designated provincial programs that the promoter delivers to the public.

For example:

- Promoters delivering Alberta Grants have RESP accounts to track all activities associated with Alberta Grants. As the CESP administers Alberta Grants, transactions associated with Alberta Grants are reported to CESP using the Alberta Grants account.
- Promoters delivering SAGES have RESP accounts to track all activities associated with SAGES. As the CESP administers SAGES, transactions associated with SAGES are reported to the CESP using the SAGES account.
- Promoters delivering the Quebec Education Savings Incentive (QESI) have RESP accounts to track all activities associated with QESI. As the CESP does not administer QESI, promoters do not report, to the CESP, specific QESI amounts associated with RESP transactions.

Reporting QESI data to the CESP

Promoters must include all assets in RESPs when reporting the Fair Market Value (FMV) of an RESP in their monthly summary reports (RT 700). As such, the FMV amount should include saving incentives from all sources present in the RESP, including the QESI if applicable.

Promoters are not required to report specific QESI amounts in Educational Assistance Payment (EAP) transactions reported to the CESP. However, if there are QESI amounts in an EAP, they must be included in the total EAP Amount reported to the CESP.

7. Key Concepts Specific to Incentives

There are other important key concepts that are associated with, and unique to, each of the education savings incentives. These are defined and elaborated on within each related chapter in **Section 2: Education Savings Incentives**, and can be found immediately after the corresponding eligibility criteria.



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Canada Education Savings Program – RESP Provider User Guide

CHAPTER 1-3

The CESP System and Interface Transaction Standards

Once the appropriate incentive application forms have been completed and signed, key information must be sent electronically to the Canada Education Savings Program (CESP) along with requests for the incentive(s) that are administered by the CESP. This is usually handled by the Registered Education Savings Plan (RESP) promoter's Head Office or by an external service provider.

The RESP promoter plays a key role in ensuring CESP receives the information it requires to:

- Register Education Savings Plans with Canada Revenue Agency (CRA)
- Respond to requests for the following incentives administered by Employment and Social Development Canada (ESDC):
 - Canada Education Savings Grant (CESG)
 - Canada Learning Bond (CLB)
 - Alberta Centennial Education Savings Plan Grants (Alberta Grants)
 - Saskatchewan Advantage Grant for Education Savings (SAGES)

This chapter provides an overview of the CESP system and the type of information exchanged between RESP promoters and CESP via the CESP system.

See **Appendix C** for a list of acronyms and terms used in this guide.

In this chapter



CESP System

1. What is the CESP System?	1 – 3 – 2
2. CESP System Terminology.....	1 – 3 – 3
3. Summary of Record and Transaction Types.....	1 – 3 – 4
4. Submitting Information to CESP	1 – 3 – 4
5. An Overview of the CESP System Process	1 – 3 – 11
6. Interface Transaction Standards.....	1 – 3 – 14

1. What is the CESP System?

The CESP system is an ESDC electronic application that supports the delivery of federal and provincial education savings incentives that are administered by the CESP. The system enables the CESP to exchange electronic information with the following partners:

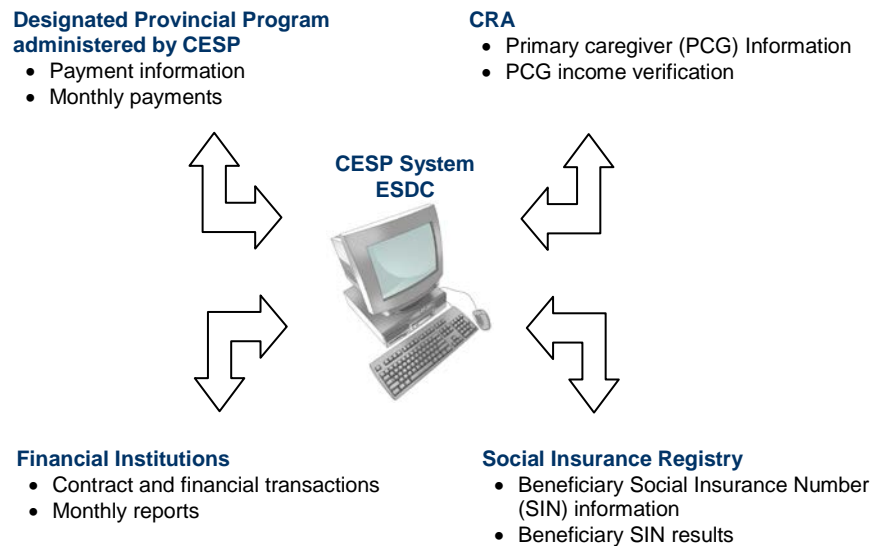
- RESP promoters
- Social Insurance Registry (SIR)
- CRA
- Designated Provincial Programs administered by ESDC
 - Government of Alberta
 - Government of Saskatchewan

This information exchange allows ESDC to:

- verify contract, subscriber, and beneficiary information;
- submit requests to CRA to register Education Savings Plans (ESPs);*
- verify primary caregiver information, as required;
- confirm eligibility for the CESP, CLB, Alberta Grants and SAGES; and
- track program-related transactions, including payments and repayments.

This, in turn, ensures that each eligible beneficiary receives the incentive to which they are entitled and facilitates the tracking of incentives and related limits for each beneficiary.

The following illustration provides a snapshot of how information is shared between the CESP and its partners.



* CESP collects ESP contract information on behalf of CRA. Then, CRA communicates registration of the contract to the RESP promoter.

2. CESP System Terminology

It will be helpful to review some key terms that are used in relation to the CESP system, as they are used extensively in this chapter and referred to throughout this Guide.

Business Number (BN)

With respect to the CESP system, the BN is a 15 character alphanumeric code that identifies the RESP promoter or agent authorized to submit transactions to CESP.

Interface Transaction Standards (ITS)

The procedure for formatting and electronically submitting transactions to CESP. See **6. Interface Transaction Standards (ITS)**, later in this chapter.

The ITS can be downloaded from the following Web address:

<http://www.esdc.gc.ca/eng/jobs/student/promoters/index.shtml#tab3>

Record Type (RT)

A data record that is exchanged between the RESP promoter's system and the CESP system.

There are a series of record types, each identifying a different type of transaction. For example, **RT 400** identifies a financial transaction.

See **3. A Summary of CESP System Record and Transaction Types** below.

Transaction Type

The two-digit number following the Record Type (RT), which further categorizes the type of transaction. For example, RT 400-11 represents a financial transaction (RT 400) reporting a contribution (11).

See **3. A Summary of CESP System Record and Transaction Types** below.

3. Summary of Record and Transaction Types

The CESP system uses many different RT. The following table provides an at-a-glance summary of CESP system RT and corresponding 2-digit Transaction Types:

RT	Description	Transaction Type
100	Contract Information	01
200	Beneficiary Information	03
	Subscriber Information	04
400	Contributions (which include requests for Basic and Additional CESG)	11
	EAP (Educational Assistance Payment)	13
	PSE Contribution withdrawals	14
	Transfers In	19
	Incentive Repayments	21
	Termination Adjustments	22
	Transfers Out	23
	Request for CLB Payments	24
	Request for Alberta Grant Payments	25
410	SAGES Requests	30
410	Cancel SAGES Requests	31
511	Primary caregiver (PCG) Information	12
800	Error Reports	-
850	Severe Error Reports	-
900	Transaction Processing Reports	-
910		
920	SIN Validation Reports	-
950	Contract Registration Reports	-

For more detailed information about RT, refer to the ITS document, available for download on the ESDC website.

4. Submitting Information to CESP

The RESP promoter will submit contract and financial transactions to CESP throughout the RESP life cycle.

The initial transactions will be submitted when a subscriber opens an ESP. At this time, transactions will request registration of the plan, verify subscriber and beneficiary information and request the CESG, CLB, Alberta Grants or SAGES.

The RESP promoter will assist the subscriber in completing the appropriate application form, which collects two categories of contract-related information:

- information about the RESP contract itself
- information about the subscriber and the beneficiary

Once information about the contract, the subscriber, and the beneficiary has been validated, the beneficiary can be established in the CESP system. Then the RESP promoter can submit financial transactions in respect of the beneficiary (for example, contributions and requests for the CESP, CLB, Alberta Grants or SAGES).

4.1. Submitting Contract Information

When opening the ESP the subscriber can choose to apply at that time for the incentives administered by the CESP. The **incentive application forms** capture information about the individuals involved in the plan. Depending on the incentive, this can include up to four individuals:

- subscriber
- beneficiary
- custodial parent or legal guardian
- primary caregiver

A completed application form will also contain the following information about the contract:

- specimen plan number
- contract number

4.1.1. Capturing and Submitting Contract Information

As part of the RESP promoter enrollment process, participating financial institutions offering federal and/or provincial education savings incentives, administered by the CESP, must ensure their systems can ‘communicate’ with the CESP system. See **6. Interface Transaction Standards (ITS)** later in this chapter.

Once the appropriate application form has been completed and signed, the contract information is captured and prepared by the RESP promoter’s system and is sent electronically to the CESP system.

To register the contract, the CESP system requires **three (3) separate transactions** for each ESP.

Transaction 1: Contract information (RT 100)
(See *explanations of RT above*)

This includes information such as the date the contract was opened, the contract number, the specimen plan number, the BN of the financial institution, etc.

The RT-100 establishes the contract in the CESP system and identifies the type of plan. (Plans must be reported as individual/siblings-only to attract Additional CESP, CLB, Alberta Grants and SAGES.)

Transaction 2: Beneficiary information (RT 200-03)
and

Transaction 3: Subscriber information (RT 200-04)

The RT 200 is used to provide mandatory beneficiary information (Transaction Type 03) and subscriber information (Transaction Type 04).

Each of these three transactions must be verified and processed successfully before the contract can be sent to CRA for registration.

Upon receipt of these transactions, the CESP system will notify the RESP promoter that the transactions were received, and whether or not the information is complete and accurate. When these three transactions are successfully processed, the promoter receives a 950 record in the .reg file and the request to register the plan will be sent to CRA. Otherwise, incomplete or inaccurate transactions are returned with an Error Report (RT 800 series records). (See **3. A Summary of CESP system Record and Transaction Types**, earlier in this chapter.)

***Note:** For more details about mandatory information required for each record and transaction type, consult the ITS, available on the ESDC website. Some general information about the ITS is provided at the end of this chapter.*

4.1.2. Accurate Information Enables Payment of the Incentives

When completing the application form for any of the education savings incentives, the RESP promoter must ensure that *all* information is recorded accurately, as critical information elements are submitted to the CESP system.

Inaccurate information will result in the CESP system rejecting transactions and returning an error code, and delaying payment of the CESP, CLB, Alberta Grants and SAGES. RESP promoters must then resubmit the transaction with the correct information.

Information is Validated by the CESP System

Any mandatory information missing from the contract, beneficiary, or subscriber transactions will cause the transaction to be rejected.

The CESP System will validate the SIN, given name, surname, date of birth, and sex of all beneficiaries with the SIR.

If the beneficiary fails SIR validation, the transaction will be rejected and a beneficiary account will not be established. All transactions must be corrected and resubmitted to the CESP system before financial transactions can be processed. For more information, refer to the *ITS*, available on the ESDC website.

Accurate contract, beneficiary, and subscriber information ensures:

- the contract can be registered by CRA;
- the beneficiary can be established in the CESP system; and
- payment of incentives is not delayed.

Once the information is successfully processed, CESP communicates key information to CRA, requesting them to register the plan. CRA will advise the RESP promoter once the plan has been registered.

RESP promoters can then report all financial activities (transactions) pertaining to that beneficiary and related RESP(s).

Note: While contract, beneficiary and subscriber transactions must first be processed successfully, financial transactions can be submitted within the same reporting period.

4.2. Submitting Financial Information to CESP

Financial transactions (RT 400) report the movement of funds into and out of an RESP. They do not include the growth of the fund or investment activities.

Because financial transactions record a number of activities (e.g. payments, repayments, transfers, etc.), the RT 400 is flagged by a “transaction type”. This further identifies the type of financial information that is being submitted to CESP. For example, an RT 400 with a transaction type of “11” (RT 400-11) represents a contribution made to an RESP that may request CESG or Additional CESG. (See sidebar below.)

The following table lists the various financial transactions submitted under an RT 400, and the transaction types by which they are identified.

(See **3. A Summary of CESP System Record and Transaction Types**, above, to view the complete table from which this information has been extrapolated.)

Summary of Financial Transactions	
Financial Record Types (RT 400)	Transaction Types
Contributions (for CESG)	11
Educational Assistance Payments (EAP)	13
Post-secondary education (PSE) withdrawals	14
Transfers In	19
Incentive repayments, including contract terminations	21
RESP Termination adjustments	22
Transfers Out	23
CLB requests	24
Alberta Grant requests	25
An RT 400 Record Type represents a financial transaction. The 2 digit numbers following the “400”, represent the ‘transaction type’, which further identifies the financial transaction, e.g. RT 400-11.	

Throughout this Guide, additional instructions are provided to describe the various scenarios in which financial transactions are submitted.

Note: All information submitted to the CESP system must comply with the ITS, available on the ESDC website.

4.2.1. SAGES Transactions

To request a SAGES payment for a contribution, promoters must submit a SAGES Request (RT 410-30) transaction that identifies a particular contribution transaction (RT 400-11) successfully processed by the CESP system.

To cancel a SAGES request, promoters must submit a Cancel SAGES Request (RT 410-31) transaction for a successfully processed contribution transaction (RT 400-11) on which a SAGES request had already been made. Using the Cancel SAGES Request (RT 410-31) transaction type is similar to reversing a RT 400 transaction.

The table below summarizes the SAGES Request and Cancel SAGES Request transactions.

Record Type 410	Transaction Types
SAGES Request	30
Cancel SAGES Request	31

The following transaction types may also include SAGES amounts:

- RT 400-13 (EAPs)
- RT 400-21 (Incentive repayments)
- RT 400-19 (Transfers in)
- RT 400-23 (Transfers out)
- RT 400-22 (Termination adjustments)

4.3. Sequence of Transactions Processed by the CESP System

Before any financial transactions are processed, the RESP promoter must submit three transactions to the CESP system:

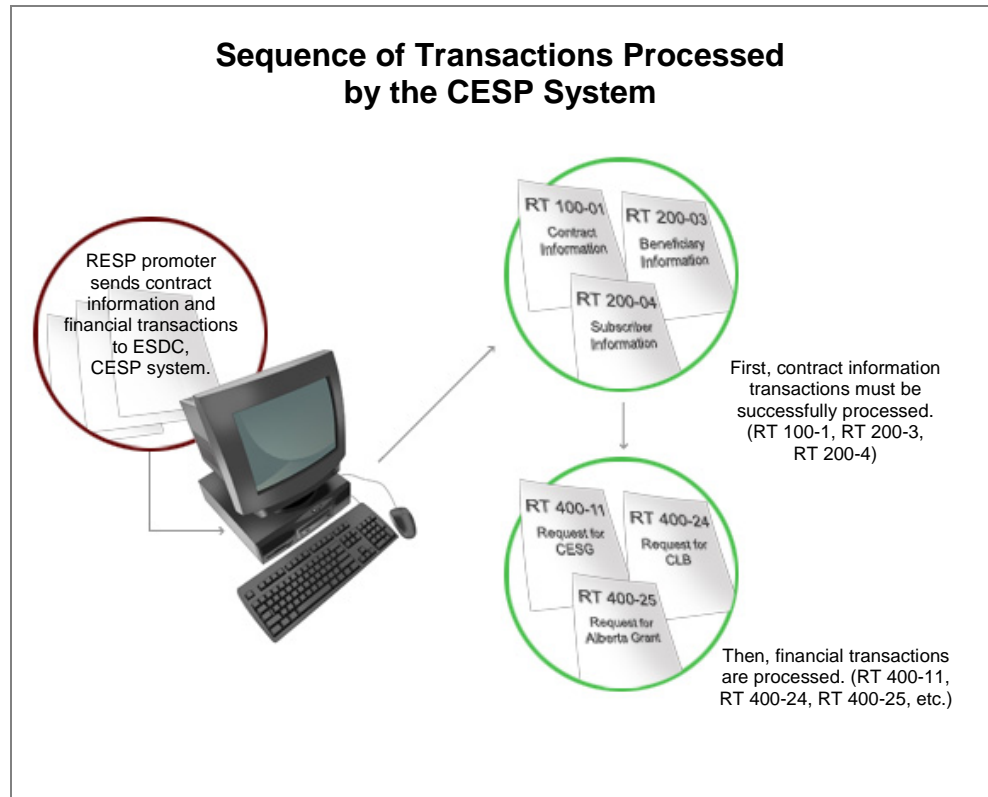
- RT 100-01 Contract information
- RT 200-03 Beneficiary information
- RT 200-04 Subscriber Information

If the contract, beneficiary, and subscriber are successfully established in the CESP system, the RESP promoter may submit the following transaction(s), depending on the incentive (see note below):

- RT 400-11 Contributions (Request for Basic and Additional CESP)
- RT 400-24 Request for CLB
- RT 400-25 Request for Alberta Grants
- RT 410-30 SAGES Request
- RT 410-31 Cancel SAGES Request
- RT 511-12 PCG Information

Note: All transactions may be submitted at the same time; however, RT 400, RT 410 and RT 511 transactions will only be processed by the CESP system once the contract, beneficiary and subscriber transactions have been successfully processed.

The following diagram illustrates how these transactions are submitted to and subsequently processed by the CESP system.



4.4. Submitting Changes or Corrections to CESP

The CESP system accepts changes or corrections to financial transactions. This is accomplished by reversing the original transaction and submitting the correct information in a separate transaction. To submit a correction to a financial transaction (RT 400), the RESP promoter must:

1. Submit a reversal transaction to the CESP system, referencing the original financial transaction being reversed.

This is accomplished by cross-referencing the RESP promoter's BN and the original **Transaction ID**.

2. Submit a new transaction (RT 400), with the correct information.

A new Transaction ID must be assigned. The original Transaction ID cannot be re-used. This allows the CESP system to reverse the original transaction and process the new one.

The CESP system interprets a reversal transaction to mean that the original transaction did not occur as reported. The new transaction, with the new unique Transaction ID, allows the CESP system to process the new, corrected transaction.

Submitting a Cancel SAGES Request (RT 410-31) transaction is similar to reversing a RT 400 transaction because it results in the SAGES payment being reversed for the associated contribution. Reversing a contribution transaction (RT 400-11) for which SAGES was requested will also result in a

reversal of the associated SAGES payment. For more information about SAGES transactions, see **4.2.1. SAGES Transactions**.

4.4.1. Correcting Primary Caregiver Information for the CESG – RT 511

Eligibility for the Additional CESG is based on the adjusted family net income of the beneficiary's primary caregiver. Therefore, information about the primary caregiver must accompany any requests for the Additional CESG. Any changes or corrections to primary caregiver information must be submitted to the CESP system.

Rather than reversing and re-submitting the RT 400 financial transaction which originally did not include PCG information or included incorrect PCG information, the CESP system will accept corrections via a PCG Information Transaction using RT 511, Transaction Type 12 (RT 511-12).

The RT 511-12 can be used in the following situations:

- **For RESP contributions made on or after January 1, 2005, to provide PCG information not reported on the original RT 400-11.**

When the RT 511-12 is received, the CESP system will re-process the original transaction.

- **For transactions made on or after July 1, 2005, to provide missing PCG information or to replace inaccurate PCG data originally reported in the RT 400-11.**

Without the correct PCG information, the beneficiary would be prevented from receiving the Additional CESG amounts. Upon receipt of the RT 511-12, the original transaction will be re-processed with the 'new' information.

For more information, refer to ESDC's *ITS*, available on the ESDC website.

4.5. Receiving Information from CESP

The RESP promoter will receive confirmation of the status of the transactions submitted to the CESP system by way of the following RT found in various reports sent to promoters by the CESP:

- **RT 800** (found in the **Error Report**) advises that an error is present in a transaction. This includes notice that validation has failed or information submitted is missing, incorrect, or incorrectly formatted. The record is rejected and must be corrected and resubmitted.
- **RT 850** (found in the **Severe Error Report**) is used to identify severe errors and advise that the record is rejected and must be corrected and resubmitted. Severe errors can occur when:
 - transactions with the same BN and Transaction ID already exist;
 - the record type is invalid;
 - the BN is not 15 characters long; and
 - the Transaction ID has not been provided.
- **RT 900** (found in the **Transaction Processing Report**) is used to send the following types of notifications:

- successfully processed transactions
(for transactions other than RT 410-30 and RT 410-31)
- confirmation of CESP paid on contributions
- confirmation of CLB and Alberta Grant payments
- refusal reasons for CESP, CLB and Alberta Grants
- other transactions (refer to the ITS document for more details)
- **RT 910** (found in the **Transaction Processing Report**) is used to send the following types of notifications:
 - successfully processed SAGES transactions
(RT 410-30 and RT 410-31)
 - confirmation of SAGES payments
 - SAGES Refusal reasons
 - other transactions (refer to the ITS document for more details)
- **RT 920** (found in the **SIN Validation Report**) advises promoters that a beneficiary SIN is not usable, usable and/or linked. This report is produced after the monthly validation made with SIR for all SIN's included in the CESP program database. This validation is on a monthly basis.
- **RT 950** (found in the **Contract Registration Report**) indicates the registration status of contracts.

More information about these Record Types is provided in ESDC's *ITS*, available on the ESDC website.

4.5.1. Production Processing Results Report

The **Production Processing Results Report** gives a breakdown of all transaction types processed and the error rate for each type.

This report is a PDF file sent in English and French.

5. An Overview of the CESP System Process

The following represents an overview of the processes and responsibilities associated with submitting transactions to the CESP system.

RESP promoter:

1. Submit transactions (RT 100, 200, 400, 410 and 511) electronically to the CESP Program for the current reporting period.

The RT 100 and 200 transactions are used to request registration of the Education Savings Plan. RT 400 transactions include the requests for CESP (11), CLB (24), and Alberta Grants (25). RT 410 transactions include SAGES requests (30) and cancel SAGES requests (31).

Note: Promoters must successfully submit requests for CESP, CLB, Alberta Grants and SAGES within three years of the original transaction date.

CESP via the CESP system:

2. Retrieves the submitted transactions and uploads them to the CESP system.
3. Validates the submitted transactions. Data sent to the CESP system passes through three levels of validation (the first two validations take place immediately; the third and final level of validation takes place at step 7).

The first two levels of information validate non-financial information (RT 100 and RT 200) as follows:

- Confirms completion of mandatory fields and proper formatting based on ITS (e.g., date fields must be submitted as YYYYMMDD).
- Verifies compliance with business rules (e.g., beneficiary's age and grant/bond eligibility); conducts SIN validation.

SIN Validation

CESP conducts a preliminary validation on the SIN itself before submitting the remaining SIN information to SIR for validation.

If the beneficiary SIN fails the preliminary CESP validation, the transaction is rejected and returned on the RT 800 Error report.

If the beneficiary SIN passes preliminary CESP validation, the beneficiary information (SIN, Name, Surname, DOB, and Sex) is sent for SIR validation.

If SIR validation fails, the transaction is rejected and returned with an RT 800 Error report specifying which fields did not match.

If SIR validation is successful, the beneficiary is added to the CESP database and an RT 900 is sent to the RESP promoter.

4. Once all contract information has been validated, communicates to the CRA the request to register the ESP. CRA will notify the RESP promoter once the plan has been registered.
5. Processes RT 400, 410 and 511 transactions, including contributions, requests for CLB, Alberta Grants and SAGES.

If the transaction includes a request for Additional CESP, CESP confirms the following information with CRA:

- CRA-held PCG and beneficiary information.
 - Beneficiary is a dependent of the primary caregiver.
 - Additional CESP match rate, based on the PCG's adjusted family net income level.
6. Generates reports to RESP promoters, informing them of the production results – including payment or repayment of the CESP, CLB, Alberta Grants and SAGES. Reports are summarized in the box below.

CESP System Reports

The RESP promoter will receive confirmation of the status of the transactions submitted to the CESP system including the following notifications:

- **Error Report (RT 800)** - validation has failed or information submitted is missing, incorrect, or incorrectly formatted. Transaction must be corrected and resubmitted.
- **Severe Error Report (RT 850)** - identifying severe errors and advising that the record is rejected and must be corrected and resubmitted.
- **Transaction Processing Report (RT 900 + RT 910)** - acknowledgement that a transaction has been successfully processed.
- **SIN Validation Report (RT 920)** - validation of the beneficiary's SIN with SIR has revealed that the SIN is not usable, usable and/or linked.
- **Contract Registration Report (RT 950)** - acknowledgement that the contract is eligible for registration.

7. Based on processing results, conducts the **third and final level** of validation, as follows:
 - Updates beneficiary accounts, including total CESP, CLB, Alberta Grants and SAGES paid to the individual beneficiary accounts.
 - Updates Specimen Plan information including Total amount paid for the CESP, CLB, Alberta Grants and SAGES for each Specimen Plan to identify and track liability for the incentives.
8. Forwards an electronic bulletin to inform RESP promoters when report files are ready for pick-up.
9. Sends the payment to the RESP promoter's account.
10. Uses the Transaction Processing Report (RT 900 and 910) to update contract accounts. This could include:
 - information regarding 'registerable' status of the contract (if applicable)
 - payments or repayments of the CESP, CLB, Alberta Grants and SAGES.
 - transfers
 - EAPs
11. Uses the Transaction Error Report (RT 800) and Severe Error Report (RT 850) to find rejected transactions and submit updated transactions to correct these errors.

RESP promoter:

6. Interface Transaction Standards

The CESP ITS provides the format and process for submitting RESP transactions electronically to the CESP.

The ITS allow for the electronic administration and payment of the following education savings incentives:

- CESC
- Additional CESC
- CLB
- Alberta Grants
- SAGES

6.1. Electronic Version of the ITS

The ITS can be downloaded from the following Web address:

<http://www.esdc.gc.ca/eng/jobs/student/promoters/index.shtml#tab3>

Amendments to the ITS are communicated to RESP providers via an electronic bulletin in a **ListServ**.

6.2. System Compliance with ITS and Industry Testing

All RESP promoters must ensure their systems are compliant with CESP's ITS. The ITS provides the standard by which information is exchanged between ESDC and the financial services industry for the application and administration of the education savings incentives.

The mandatory industry testing process, driven by CESP, helps financial organizations to ensure their systems are ready to report transactions to and receive information from the CESP system. The objective of industry testing is to ensure system compatibility with ESDC and improve the quality of data submitted to CESP, ultimately ensuring the incentive(s) can be paid into the RESP.

As errors do happen, industry testing also ensures that the RESP promoter's system can accept error codes and grant (or bond) refusal reasons.

Test files sent electronically to the CESP must receive an industry testing score of 90% or higher before the RESP promoter can submit files for processing.

Questions or requests pertaining to industry testing should be forwarded to the Canada Education Savings Program (CESP):

http://www.esdc.gc.ca/cgi-bin/edsc-esdc/contact/contact_us.asp?section=cesp

6.3. Processing Dates and Reporting Periods

CESP processes submitted transactions and pays incentives on a monthly basis.

CESP provides schedules identifying applicable processing dates, which include:

- Processing periods
- Production Run cut-off dates
- Payment dates

These schedules are forwarded to RESP promoters as an electronic bulletin via ListServ.

6.3.1. Reporting Periods

Reporting periods extend from the first to the last day of the same month. The RESP promoter has four (4) business days after the reporting period ends to submit files for processing. They cannot include any transactions that occurred after the last day of the reporting period. If CESP receives files after the specified cut-off date, they will hold and process those files in the next processing cycle.

6.3.2. Managed Secure File Transfer (MSFT)

RESP promoters must use MSFT software to send data to CESP via the Internet. It is Entrust® enabled and is recognized by ESDC as a secure method of data encryption.



Important notice: This document is revised regularly. Visit the following address for the latest version:
http://www.esdc.gc.ca/eng/jobs/student/promoters/user_guide/index.shtml

Canada Education Savings Program – RESP Provider User Guide

CHAPTER

1-4

Registered Education Savings Plans

A Registered Education Savings Plan (RESP) is an Education Savings Plan (ESP) that has been registered with the Canada Revenue Agency (CRA). It is a savings vehicle intended to encourage saving for post-secondary education. More precisely, it is an arrangement between the RESP promoter and subscriber(s). The subscriber can be:

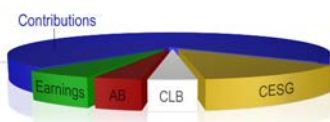
- an individual;
- an individual and their spouse or common-law partner; or
- a public primary caregiver.

The subscriber makes contributions to an RESP. In return, the RESP promoter agrees to use the accumulated funds to make Educational Assistance Payments (EAPs) to an eligible beneficiary designated by the subscriber. RESP earnings are not taxable until they are withdrawn to finance post-secondary education.

An RESP must be opened to receive payments of education savings incentives in respect of eligible beneficiaries.

See **Appendix C** for a list of acronyms and terms used in this guide.

In this chapter



RESP

1. RESPs – An Overview	1 – 4 – 2
2. Establishing the RESP	1 – 4 – 3
3. Contributions and Contribution Limits	1 – 4 – 5
4. Types of RESPs.....	1 – 4 – 7
5. Overcontributions	1 – 4 – 13
6. RESP Accounts.....	1 – 4 – 16
7. Transfers Between RESPs	1 – 4 – 17
8. Distribution of Assets from an RESP	1 – 4 – 18

1. RESPs – An Overview

RESP promoters offer ESPs designed to help their clients save for a child's post-secondary education.

An ESP contract can be registered if it meets certain terms and conditions stipulated in Section 146.1 of the *Income Tax Act* (ITA). The ESP then becomes an RESP. Earnings in the RESP are not taxable until they are withdrawn.

Once an ESP has been registered, it is subject to rules that govern contributions, withdrawals, earnings, and the transfer of monies. Compliance with these rules ensures the registered status of the RESP.

The RESP contract will include terms and conditions that the subscriber must agree to. Terms and conditions will vary depending on the type of plan. For example:

- the need for making contributions to the RESP over the term of the contract; or
- whether contributions will be intermittent or on a regular basis (at the discretion of the subscriber).

The RESP promoter invests the funds contributed by the subscriber. When the beneficiary attends a post-secondary educational institution, earnings in the plan are used to make EAPs that will help to fund related education expenses. Terms and conditions prescribe when and how these earnings are paid. See **Chapter 3-2: Post-Secondary Education and Educational Assistance Payments (EAPs)**.

When an EAP is made, the subscriber can choose to withdraw the contributions that they have invested. Alternatively, the contributions could be used to help pay for their post-secondary education expenses.

1.1. RESPs May Qualify for Education Savings Incentives

To encourage Canadians to plan and save for their children's post-secondary education, the Government of Canada offers two federal education savings incentives: the **Canada Education Savings Grant (CESG)** and the **Canada Learning Bond (CLB)**.

An RESP can also include provincial incentives from one of the three following **designated provincial programs**:

- **Alberta Centennial Education Savings Plan Grants (Alberta Grants).** CESG administers this incentive through an agreement between Employment and Social Development Canada (ESDC) and the province of Alberta.
- **Saskatchewan Advantage Grant for Education Savings (SAGES).** CESG administers this incentive through an **agreement** between ESDC and the province of Saskatchewan.
- **Quebec Education Savings Incentive (QESI)** is a provincial incentive established under Quebec legislation. ESDC does not administer this provincial incentive.

Subject to specific eligibility criteria, these education savings incentives are deposited into an RESP. These incentives can enhance RESP earnings and be used with the earnings as an EAP by an eligible beneficiary.

When an ESP is opened and registered and the subscriber makes contributions to that RESP in respect of a beneficiary, the contributions may qualify for the CESG. The beneficiary may also qualify for the CLB and/or provincial incentives. However, the CLB, and the Alberta \$500 Grant do not depend on contributions to an RESP. (More information about each of these incentives is provided in **Section 2: Education Savings Incentives**.)

Note: The Alberta \$100 Grants **do** require contributions to be made to the RESP for the eligible beneficiary.

2. Establishing the RESP

There are four parties involved in the process of opening and registering an ESP. They are:

- the subscriber
- the RESP promoter
- ESDC
- CRA

2.1. Opening the ESP

A subscriber enters into an ESP contract with an **RESP promoter** of their choice. The RESP promoter then arranges to have the plan registered.

Typically, the **subscriber** is the child's parent or parents, but it can also be a beneficiary, a grandparent, another family member, or someone not related to the beneficiary. The ESP can be opened by one person or it can be opened jointly by spouses or common-law partners as well as child care agencies.

There are three different types of ESPs:

- family plans
- individual (Non-family) plans
- group plans

The subscriber(s) must choose the RESP promoter that they would like to deal with and decide what type of plan that they will open. See **4. Types of RESPs**, later in this chapter.

2.2. Registering the ESP

An ESP contract must meet certain conditions in order for it to be registered with CRA.

An RESP promoter must submit certain information to CRA when applying for the registration of an ESP on behalf of the subscriber, as follows:

- An RESP promoter's application form must be filled out with accurate and valid information, according to procedures established by CRA, and then submitted to the RESP promoter's Head Office.
- The application form must also include a notice to the subscriber(s) that an overcontribution to the plan may result in a penalty tax.

Any new contract submitted to the Canada Education Savings Program (CESP), will be treated as a request to register the plan with CRA.

CRA will register only those contracts that meet all registration requirements and will notify the RESP promoter of the status of all contracts submitted over a certain period.

2.3. Social Insurance Numbers (SINs)

The SIN is a nine-digit number used in the administration of various Canadian government programs. The Social Insurance Registry (SIR), ESDC, administers the SIN Program.

When an ESP is opened, a SIN is required for:

- the ESP subscriber;
- the ESP beneficiary(s); and
- the beneficiary's primary caregiver, *if* applying for the additional CESG amounts and/or the CLB.

The SIN is used to:

- apply for the CESG and CLB;
- ensure that accurate RESP records are maintained for each beneficiary;
- track contributions to RESP(s) for each beneficiary;
- verify each beneficiary's eligibility for education savings incentives administered by the CESP;
- track incentive payments to RESP(s) in respect of each beneficiary (for incentives administered by the CESP);
- track repayment of incentives administered by the CESP (for example, when withdrawals are made from an RESP); and
- track EAPs made in respect of each beneficiary.

If a family member or friend wants to enter into an RESP for a child, they will need to obtain the child's SIN from the child's custodial parent.

Note: *The child's custodial parent must consent to the use of the child's SIN. If consent is not given, an ESP cannot be opened.*

Only the child's custodial parent(s) can apply for a SIN for their child. Visit the following Service Canada Web site for the *SIN Application Form* and instructions:

<http://www.servicecanada.gc.ca/eng/sc/sin/index.shtml>

The form can also be obtained from the nearest Service Canada Centre. There are no fees associated with a SIN application. The SIN card will be sent by mail.

2.3.1. Verifying the Beneficiary's SIN

The SIN is a key piece of information that the CESP uses to verify a beneficiary's eligibility for the applicable education savings incentive(s). When an RESP is entered into, the RESP promoter submits the beneficiary's SIN information electronically to CESP who, in partnership with the SIR, validates the beneficiary's information.

If the beneficiary information submitted by the RESP promoter does not match the information contained in SIR, the submission will result in an error and will lead to the information being rejected by CESP. A report will then be sent to the RESP promoter, identifying the field(s) in error. The RESP promoter will have to verify the information provided by the subscriber and resubmit the data to CESP.

Until the beneficiary information is successfully processed by CESP, any financial information including requests for payments of the CESG, CLB, Alberta Grants and SAGES, will cause errors. The beneficiary information must be successfully processed and established before any financial information can be processed. For more information see **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)**.

3. Contributions and Contribution Limits

Contributions are deposits made to an RESP by a subscriber in respect of a beneficiary and remain the property of the subscriber. While the subscriber cannot deduct contributions made to an RESP from their taxable income, earnings on contributions are tax sheltered.

Tax on Earnings

Earnings on contributions made to an RESP are not taxable until the earnings are used as part of an EAP by the beneficiary or until they are paid to the subscriber if the beneficiary does not qualify for an EAP.

When beneficiaries receive an EAP to help finance their post-secondary education they will be responsible for paying any taxes on the EAP. Since students generally have limited income, the tax paid will usually be minimal.

If the beneficiary does not attend post-secondary education and the earnings are returned to the subscriber, the subscriber will be responsible for paying any required taxes.

For more information see **Chapter 3-3: Options for Assets Remaining in the RESP**.

While there is no limit to the number of RESPs that can be opened in respect of a beneficiary, there are limits to the amount that can be contributed across all existing RESPs for one beneficiary. These contribution limits are:

Period	Annual Contribution Limit per Beneficiary	Lifetime Contribution Limit per Beneficiary
1998 to 2006	\$4,000	\$42,000
Since 2007	No limit	\$50,000

A beneficiary's contribution limit is based on the total of all contributions, by all subscribers into all RESPs. The annual and lifetime limits cannot be circumvented by entering into multiple plans.

Overcontributions to an RESP are subject to a penalty tax. For more information, see **5. Overcontributions** later in this chapter.

3.1. What Are Not Considered to be Contributions?

Earnings on the contributions are *not* considered to be contributions when calculating the annual and lifetime contribution limits.

The \$25.00 fee paid to an RESP promoter, for a first time request for the payment of the CLB for a beneficiary, is not considered to be a contribution. This payment is to assist in paying for administrative costs associated with the establishment of these plans.

Federal education savings incentives (CESG and CLB) may be paid into RESPs if certain conditions are met. These incentives are *not* considered to be contributions when calculating annual and lifetime limits.

Payments to an RESP from a designated provincial program are not considered to be RESP contributions when calculating annual and lifetime limits. These payments are treated in the same way as federal incentives and do not attract federal incentives themselves. Currently, the following three provincial incentives can be paid to an RESP from a designated provincial program:

- Alberta Grants
- SAGES
- QESI

Assisted and Unassisted Contributions

Contributions to an RESP are considered to be either “assisted” or “unassisted”:

- An assisted contribution is a contribution made to an RESP that has attracted the CESG.
- An unassisted contribution is a contribution made to an RESP that has not attracted the CESG.

3.1.1. Insurance Provisions

Insurance Premiums. Some subscribers may decide to enter into an insurance contract as part of their RESP to ensure that contributions to the RESP will continue in the event of certain circumstances (such as the death of the subscriber). This insurance contract will include the payment of insurance premiums. These premiums are *not* considered to be contributions to the RESP.

Insurance Proceeds. Payments made to an RESP in accordance with the terms of an insurance contract are referred to as “insurance proceeds” and are considered to be contributions.

Depending on how the plan is structured, administration and trustee fees may or may not be considered to be contributions. If administration or trustee fees are charged *outside* the plan, they are *not* considered contributions. If they are charged *within* the plan, they can be considered part of the contributions and are therefore subject to contribution limits.

Note: Fees are not to be charged to the education savings incentive portions of an RESP.

Contact CRA - Registered Plans Directorate for more information at 1-800-267-3100.

4. Types of RESPs

There are three types of RESPs: individual (non-family) plans; family plans; and group plans. The following is a description of each of these plan types.

4.1. Individual (Non-Family) Plans

The features of an individual (non-family) plan are as follows:

- There is a single subscriber (includes child care agencies) or joint subscribers that have a spousal or common-law relationship.
- There is only one beneficiary at any given time.
- The beneficiary does not need to be related to the subscriber.
- There is no restriction on the age of the beneficiary – it can be a child or an adult.
- There is no restriction on who can be named as the beneficiary. A subscriber could be the beneficiary of their own plan.

The subscriber is responsible for presenting the beneficiary's information to the RESP promoter.

4.1.1. Naming a Replacement Beneficiary

A subscriber can replace an existing beneficiary with a new beneficiary if their contract allows for it. When this happens, the original beneficiary's contribution history could be attributed to the replacement. This could affect the annual and lifetime contribution limits for the new beneficiary, which could result in a penalty tax for all subscribers of that beneficiary.

There will not be any tax consequences to the replacement beneficiary if one of the following conditions is met:

- The replacement beneficiary is under 21 and is a sibling of the original beneficiary.

OR

- Both the original and replacement beneficiaries are under 21 and are related by blood or adoption to the original subscriber of the RESP.

The subscriber will need to present the RESP promoter with all of the necessary information relating to the replacement beneficiary. The RESP promoter must then submit that information to CESP.

See **3. Contributions and Contribution Limits** above, and **5. Overcontributions**, later in this chapter for more information.

4.1.2. Making Contributions

A subscriber can make contributions to an individual (non-family) plan as long as **contribution limits** for the beneficiary have not been exceeded. However, contribution limits can be affected by any transfer of monies from one RESP to another. For more information on transfers, see **7. Transfers Between RESPs**, later in this chapter and **Chapter 3-1: RESP Transfers and the Education Savings Incentives**.

Contributions to an individual (non-family) plan must stop at either:

- 31 years after the end of the year the RESP was opened (35 years in the case of a *specified plan*).

OR

- 31 years after the end of the year of the “earliest effective date that applies” if a transfer has taken place.

Earliest effective date when a transfer has taken place

When a transfer is made between RESPs, the earliest effective date of the two plans must be used to determine the date when plan contributions must stop in the receiving plan. See **Chapter 3-1: RESP Transfers and the Education Savings Incentives**.

4.2. Family Plans

The features of a family plan are as follows:

- There is a single subscriber or joint subscribers that have a spousal or common-law relationship.
- There can be one or more beneficiaries at any given time.
- The beneficiaries must be related to the original subscriber of the RESP, either by blood or by adoption.
- An individual can become a beneficiary of a family RESP only if that individual has not yet turned 21 or if the individual was, just before joining the family RESP, a beneficiary under another family RESP.
- Contributions must be made in respect of individual beneficiaries.
- Annual and lifetime RESP contribution limits apply to each beneficiary. Contributions made to any RESP in respect of a beneficiary count toward that beneficiary's annual and lifetime contribution limits.

Family Member – Relationship

Each beneficiary of a family plan must be related by blood or adoption to each living subscriber under the plan or be related to a deceased original subscriber. Under the ITA, a “blood relationship” is that of a parent and child (or grandchild or great grandchild) or that of a brother or sister. The subscriber's niece, nephew, aunt, uncle and cousin do not meet the definition of “blood relative”. They, therefore, do not qualify as a beneficiary under a family plan.

An individual is not considered to be a “blood relative” of himself / herself.

An adopted child is related by adoption to his parents and grandparents. Stepchildren are related to their stepparents by virtue of being the children of their parent's spouse or common-law partner. This is referred to as “adoption in fact”.

The major differences between the individual (non-family) plan and the family plan are that the family plan allows for multiple beneficiaries but requires a blood or adoptive relation between the beneficiary and the original subscriber of the RESP.

With the introduction of Additional CESG rates, CLB, Alberta Grants and SAGES, limitations have been placed on the types of family plans that can receive these incentives. Only plans where all the beneficiaries are siblings can receive payments of these incentives. See the applicable incentive chapters in **Section 2: Education Savings Incentives**.

4.2.1. Naming an Additional Beneficiary

If the terms of a subscriber's contract allow for it, the subscriber can add beneficiaries to their plan at any time. However, the additional beneficiaries must still be related to the original subscriber of the RESP, either by blood or by adoption.

Furthermore, if Additional CESG, CLB, or Alberta Grants have been paid into the RESP, any additional beneficiaries must be siblings of the existing beneficiaries or these incentives will need to be repaid. While SAGES can only be paid into a sibling-only plan, a cousin can be added to the plan without having to repay the SAGES already in the RESP.

The eligibility criteria for adding a new beneficiary are as follows:

- Additional beneficiaries must be related to the original subscriber of the RESP, either by blood or adoption.
- Additional beneficiaries must be under 21 at the time they are added or must have been beneficiaries under another family RESP immediately before being added.
- The additional beneficiary's SIN must be given to the RESP promoter.

4.2.2. Naming a Replacement Beneficiary

A subscriber can replace an existing beneficiary with a new beneficiary if their contract allows for it. (Beneficiary replacements are possible for plans with single and multiple beneficiaries.) When this happens, the original beneficiary's contribution history could be attributed to the replacement. This could affect the annual and lifetime contribution limits for the new beneficiary, which could result in a penalty tax for all subscribers of that beneficiary.

There will not be any tax consequences to the replacement beneficiary if one of the following conditions is met:

- the replacement beneficiary is under 21 years of age and is a sibling of the original beneficiary;
- OR**
- the original and replacement beneficiaries are under 21 years of age and are related by blood or adoption to an original subscriber of the RESP.

Note: *The replacement beneficiary must comply with the sibling-only requirement associated with the Additional CESG, the CLB and the Alberta Grants. Otherwise, these incentives must be repaid. While SAGES can only be paid into a sibling-only plan, a cousin can be added to the plan without having to repay the SAGES already in the RESP. For more information, see **Section 2 – Education Savings Incentives**.*

The subscriber will need to present the RESP promoter with any necessary information relating to the replacement beneficiary. The RESP promoter must then submit that information to CESP.

See **5. Overcontributions** later in this chapter for more information.

4.2.3. Making Contributions

A subscriber can make contributions to a family plan in respect of a beneficiary as long as that beneficiary is under 31 and the beneficiary's **contribution limit** has not been exceeded. In addition, the beneficiary's contribution limit can be affected by any transfer of monies from one RESP to another. For more information on transfers, see **7. Transfers Between RESPs**, later in this chapter and **Chapter 3-1: RESP Transfers and the Education Savings Incentives**.

Contributions for an individual beneficiary must stop at the earliest of three applicable dates:

- the date that the beneficiary turns 31;

OR

- 31 years (35 for *specified plans*) after the end of the year the RESP was opened;

OR

- 31 years (35 for *specified plans*) after the end of the year of the “earliest effective date that applies,” if a transfer has taken place (see the box, **Earliest effective date when a transfer has taken place** earlier in this section).

Note: *In the event of a transfer, the terms of the contract may outline whether future contributions will be intermittent or on a regular basis.*

The contributions themselves are made to the RESP promoter by the subscriber.

Contributions to a family plan with two or more beneficiaries must be directed to and tracked in respect of each individual beneficiary in the plan. The subscriber can make multiple contributions at one time and the contribution amounts do not have to be equal for the different beneficiaries.

4.3. Group Plans

The features of a Group plan are as follows:

- Each Group plan is a collection of individual (non-family) RESPs.
- Group plans are usually referred to and marketed as “Education Funds” or “Scholarship Funds”.
- Each Group plan is a group trust.
- Group plans are administered based on an age cohort concept. This means that RESP contracts for beneficiaries of the same age are administered together.
- RESP contributions and education savings incentives are tracked per individual beneficiary but are pooled for investment purposes. Pooling is based on all beneficiaries having the same year of eligibility (i.e. they are in the same age cohort and are expected to attend post-secondary education in the same years – usually set to be three or four years).
- Payments for post-secondary education assistance are determined by the number of beneficiaries who are eligible to receive such payments in the year of eligibility.
- Earnings associated with CESG, CLB, Alberta Grants and SAGES can only be shared among the beneficiaries of a particular RESP. As group plans are a collection of individual (non-family) plans, these earnings cannot be shared among a group cohort.

4.3.1. Making Contributions

The subscriber must enter into a contractual arrangement with the RESP promoter, specifying a particular savings program. The contract will include the frequency of contributions to be made, the amount of the contributions, and investment options.

The subscriber will then make deposits with the RESP promoter for the duration of the contract. The RESP promoter will credit the contributions to a deposit account in the subscriber's name within the Group trust and then credits any education savings incentives received by the beneficiary to a separate deposit account in the child's name (that is also within the Group trust). Income earned on contributions can be shared within the Group Plan; income earned on education savings incentives cannot be shared.

5. Overcontributions

There are limits on the total amount of RESP contributions that can be made in respect of a beneficiary, across all existing RESPs. These contribution limits are:

Period	Annual Contribution Limit per Beneficiary	Lifetime Contribution Limit per Beneficiary
1998 to 2006	\$4,000	\$42,000
Since 2007	No limit	\$50,000

An overcontribution occurs when the total of contributions made in respect of a single beneficiary exceeds that beneficiary's limit. See **3.1 What Are Not Considered to be Contributions**, earlier in this chapter.

RESP promoters are required to ensure that contributions do not exceed these annual and lifetime limits. See **3. Contributions and Contribution Limits**, earlier in this chapter.

However, an overcontribution can occur when several subscribers contribute to different RESPs for the same beneficiary without coordinating their contributions. For more information about overcontributions and taxation, contact CRA at 1-800-267-3100.

The withdrawal of overcontributions will reduce the amount of over-contributions subject to tax, but such a withdrawal will not reduce the total contributions considered to have been made in respect of the beneficiary. This withdrawn amount of overcontributions will still be counted toward the total of contributions made in their respect for the purpose of determining their lifetime limit. Lifetime contribution room is not restored when contributions or overcontributions are withdrawn.

Withdrawing contributions may impact the CESG paid into the RESP. For more information, refer to the applicable chapter in **Section 2 – Education Savings Incentives**.

5.1. Overcontribution Due to Transfer

An overcontribution situation can also occur when monies are transferred from one RESP to another. When a transfer is made, the contribution history of the beneficiaries in the transferring plan could be attributed to the beneficiaries in the receiving plan, resulting in overcontributions. The contribution history will not be applied to receiving plan beneficiaries if one of the following conditions is met (see the equivalent diagram on the following page):

The transferring and receiving plans have a common beneficiary.

OR

A beneficiary in the receiving plan is a sibling of a beneficiary in the transferring plan.

AND

The receiving plan is a family plan.

OR

A beneficiary of the receiving plan is a sibling of a beneficiary in the transferring plan.

AND

The receiving plan is an individual plan.

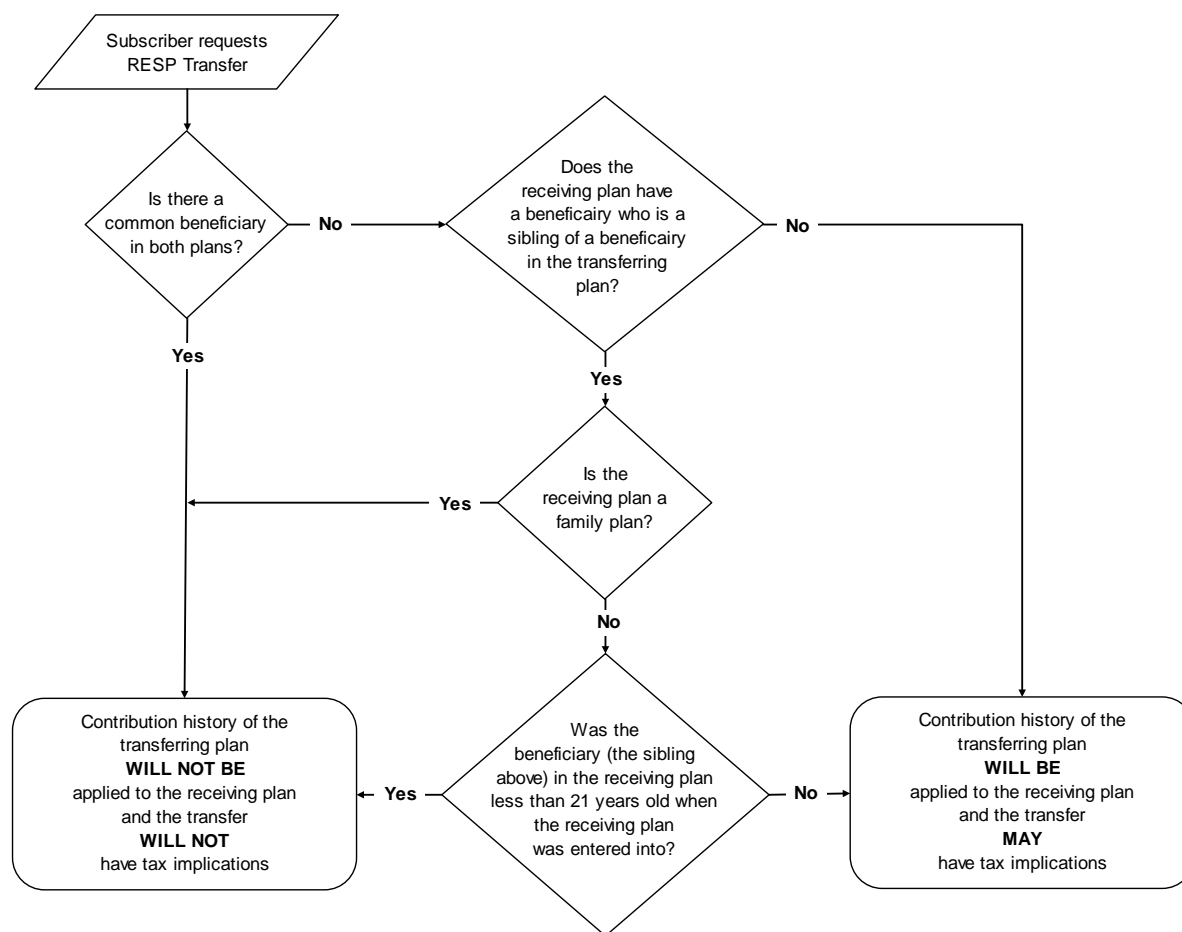
AND

The beneficiary of the receiving plan was under 21 years of age when the receiving plan was entered into.

Overcontributions exist in respect of a beneficiary. In the event that an overcontribution arises from a transfer, each subscriber who contributed to any plan in respect of the beneficiary in question will be responsible for penalty taxes on the overcontributions.

For more information about overcontributions and taxation, contact CRA - Registered Plans Directorate at 1-800-267-3100.

Determining if the Contribution History of the Transferring Plan Applies to the Receiving Plan



5.2. Overcontributions Due to Replacement of Beneficiary

When a subscriber chooses to replace the beneficiary of an RESP with another individual, the contribution history of the former beneficiary could be attributed to the replacement beneficiary, resulting in overcontributions (and associated tax penalties). Replacement of a beneficiary will not result in overcontributions if one of the following conditions is met:

- the replacement beneficiary is a sibling of the former beneficiary and is not yet 21 at the time of the replacement;
- OR**
- neither of the beneficiaries has yet turned 21 and both are related to the original subscriber of the RESP, either by blood or by adoption.

If the replacement beneficiary doesn't meet any of the above conditions, this beneficiary could be in an overcontribution situation.

5.3. Penalty Tax on Overcontributions

When an overcontribution occurs, every subscriber is required to pay a 1% per month tax on their share of the overcontribution until it is withdrawn.

Overcontributions reduce lifetime RESP limits, even after they are withdrawn.

For more information about overcontributions, contact CRA at 1-800-267-3100.

6. RESP Accounts

An RESP is comprised of the following **RESP accounts**:

- assisted Contributions made to the RESP by the subscriber
- unassisted Contributions made to the RESP by the subscriber
- CESP
- CLB – maintained separately for each beneficiary
- provincial Incentives – accounts maintained separately for each designated provincial program
- earnings

When a financial transaction is processed for a beneficiary, the associated funds are deposited into or withdrawn from the appropriate account (i.e. contributions are deposited into the contribution account; the CLB is deposited into the CLB account, etc.). The RESP promoter must track the activity of these accounts for each beneficiary and for each plan.

Separate CLB accounts must be maintained for each eligible beneficiary. Refer to the specific incentive chapter(s) for more information.

6.1. Provincial Incentives

An RESP promoter must be able to track transactions associated with each of the designated provincial programs that the promoter delivers to the public.

For example:

- Promoters delivering the Alberta Grants have RESP accounts to track all activities associated with Alberta Grants. As the CESP administers Alberta Grants, transactions associated with Alberta Grants are reported to CESP using the Alberta Grants account.
- Promoters delivering SAGES have RESP accounts to track all activities associated with SAGES. As the CESP administers SAGES, transactions associated with SAGES are reported to the CESP using the SAGES account.
- Promoters delivering the QESI have RESP accounts to track all activities associated with QESI. As the CESP does not administer QESI, promoters do not report, to the CESP, specific QESI amounts associated with RESP transactions.

Reporting QESI data to the CESP

Promoters must include all assets in RESPs when reporting the Fair Market Value (FMV) of an RESP in their monthly summary reports (RT 700). As such, the FMV amount should include saving incentives from all sources present in the RESP, including the QESI if applicable.

Promoters are not required to report specific QESI amounts in EAP transactions reported to the CESP. However, if there are QESI amounts in an EAP, they must be included in the total EAP Amount reported to the CESP.

7. Transfers Between RESPs

The ITA allows for the transfer of monies from one RESP to another unless the contract terms of a specific plan do not permit it. If a subscriber decides to make a transfer, they can choose to transfer all of the monies in the RESP or only part of them.

7.1. Different Types of Transfers

The following is a list of the various types of transfers that can be made:

- A transfer can be either internal or external.
 - An internal transfer is made between RESPs administered by the same RESP promoter.
 - An external transfer is made between RESPs administered by different RESP promoters.
- A transfer can be made between RESPs that share a common beneficiary but different subscribers.
- A transfer can be made between RESPs that share a common subscriber but different beneficiaries.
- A family plan with multiple beneficiaries can be split into several individual (non-family) plans by transferring monies from one RESP into several RESPs.
- Several individual (non-family) plans can be combined into a family plan with multiple beneficiaries by transferring monies from several RESPs into one RESP.

For more information, see **Chapter 3-1: RESP Transfers and the Education Savings Incentives**.

7.2. Conditions for an Eligible Transfer

RESP promoters and subscribers must be vigilant in ensuring that the proper conditions are met for transfers and beneficiary replacements for plans that hold the following incentives:

- CLB
- Alberta Grants
- Additional CESG
- SAGES

Transfers and beneficiary replacements may result in the repayment of the CLB, Alberta Grants, SAGES and the *entire* CESG amounts (not just the Additional CESG amounts) if certain conditions are not satisfied.

Conditions for eligible transfers of each incentive are described in **Chapter 3-1 RESP Transfers and the Education Savings Incentives**.

7.3. Recording Transfers

When a transfer is made between different RESP promoters, the RESP promoter receiving the transferred monies must also receive sufficient information to administer the RESP on a continuing basis. This includes obtaining all of the details about the subscriber and the beneficiary(ies), the effective date of the plan, and complete historical information about contributions and the education savings incentives.

It is mandatory to complete transfer forms each time an RESP transfer occurs, even if the two RESPs are administered by the same promoter. These transfer forms are posted on the ESDC website at the following address:

<http://www.esdc.gc.ca/eng/jobs/student/promoters/index.shtml#tab4>

See **Chapter 3-1: RESP Transfers and the Education Savings Incentives**.

8. Distribution of Assets from an RESP

There are six different ways that a distribution of RESP assets can be made by an RESP promoter:

- EAPs;
- accumulated income payments (AIPs);
- rollover of RESP investment earnings into a Registered Disability Savings Plan (RDSP);
- rollover of RESP earnings to a registered retirement savings plan (RRSP);
- payments to a designated educational institution in Canada; and
- payments of contributions to either the subscriber or the beneficiary.

For more information, see **Chapter 3-3: Options for Assets Remaining in the RESP**.



Important notice: This document is revised regularly. Visit the following address for the latest version:
http://www.esdc.gc.ca/eng/jobs/student/promoters/user_guide/index.shtml

CESP – RESP Provider User Guide

CHAPTER 2-1

The Basic Canada Education Savings Grant (CESG)

The Canada Education Savings Grant (CESG) is an education savings incentive administered by the Canada Education Savings Program (CESP), Employment and Social Development Canada (ESDC).

Registered Education Savings Plan (RESP) promoters must have authorization from ESDC to offer the CESG or any other education savings incentive administered by ESDC.

The CESG is based on contributions made to an RESP in respect of an eligible beneficiary and is comprised of two components:

- Basic CESG
- Additional CESG

This chapter deals only with the Basic CESG.

See **Appendix C** for a list of acronyms and terms used in this guide.

In this chapter



CESG

1. The Basic CESG – An Overview.....	2 – 1 – 2
2. Eligibility Criteria	2 – 1 – 3
3. Annual CESG Limits and Grant Room	2 – 1 – 5
4. Lifetime CESG Limits	2 – 1 – 6
5. Calculating the Basic CESG	2 – 1 – 6
6. Calculating Grant Room and Carry Forward.....	2 – 1 – 8
7. Applying for the Basic CESG	2 – 1 – 10
8. Receiving and Depositing the CESG	2 – 1 – 14
9. Repaying the CESG.....	2 – 1 – 17
10. Other Transactions Involving the CESG	2 – 1 – 24

1. The Basic CESG – An Overview

Basic CESG is a payment of **20% on RESP contributions** made on or after January 1, 1998, in respect of an eligible beneficiary, up until the end of the calendar year in which the beneficiary turns 17. The amount of annual Basic CESG payable per beneficiary is limited to the lesser of the following two amounts:

- accumulated grant room available for the beneficiary (see **6.0 Calculating Carry Forward and Grant Room** in this chapter)
- Basic CESG annual limit

For information about accumulated grant room, see **3. Annual CESG Limits and Grant Room** later in this chapter.

Period	Basic CESG Annual Limit	Contribution Required for Basic CESG Annual Limit
1998 to 2006	\$800 (20% of \$4,000)	\$4,000
Since 2007	\$1,000 (20% of \$5,000)	\$5,000



Calculation

For example ...

$$\$2,500 \text{ annual contributions} \times 20\% = \$500 \text{ CESG}$$

1.1. How it Works

The payment of the CESG is based on the following requirements:

- **An RESP.** A **subscriber** must meet with a participating RESP promoter, open an RESP, and name an eligible **beneficiary**.
- **RESP Contributions.** The subscriber makes contributions to the RESP. Over the years, savings and earnings grow.
- **Eligibility criteria.** The subscriber and participating RESP promoter ensure that all eligibility criteria for the CESG have been met.
- **Application Process.** The subscriber requests a participating RESP promoter to apply for the Basic CESG on their behalf. See **7. Applying for the Basic CESG** later in this chapter.

2. Eligibility Criteria

In order to determine if a contribution is eligible for the Basic CESG, the following eligibility criteria should be considered:

- ☐ Does the beneficiary have a valid Social Insurance Number (SIN)?
- ☐ Has the subscriber established and registered an Education Savings Plan (ESP) and named a beneficiary?
- ☐ Was the beneficiary a Canadian resident at the time the contribution was made?
- ☐ Was the contribution made prior to the end of the calendar year in which the beneficiary turned 17?
- ☐ If the beneficiary is 16 or 17 years old, has one of the following two conditions been met?

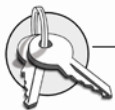
A minimum of \$100 in annual RESP contributions has been made in each of any four years (consecutive or not and not withdrawn) before the end of the calendar year the beneficiary turned 15.

OR

A minimum of \$2,000 in RESP contributions has been made (and not withdrawn) before the end of the calendar year the beneficiary turned 15.

*If all of the questions to this point have been answered in the affirmative, the contribution may be eligible for the **Basic CESG**.*

2.1. RESP Contributions and CESG Eligibility



Key Concept

Payment of the CESG is based on contributions deposited to an RESP and is subject to yearly and lifetime limits. For more information, see **3. Annual CESG Limits and Grant Room** later in this chapter.

Contributions to an RESP are considered to be “assisted” or “unassisted” in respect of the CESG:

- **Assisted contributions:** RESP contributions that attracted CESG payments.
- **Unassisted contributions:** RESP contributions that *did not* attract CESG payments.

Consequences to Withdrawing Assisted Contributions

The withdrawal of assisted contributions from the RESP may trigger a repayment of the CESG and may affect eligibility for the Grant. See **9. Repaying the CESG** later in this chapter.

2.2. Contributions and the CESG Age Limit

To qualify for CESG payments, contributions must be made to an RESP in respect of an eligible beneficiary who is:

- named under the RESP; and
- a resident of Canada at the time of each contribution.

As of 1998, the CESG has been made available for all eligible Canadian beneficiaries starting from the year of birth until the end of the calendar year they turn 17.

2.3. Contributions for 16 and 17 Year-Old Beneficiaries



Key Concept

Special conditions apply for beneficiaries who are 16 and 17 years old. In order for those contributions to be eligible for the CESG:

- A minimum of \$100 in annual RESP contributions, in respect of the beneficiary, must have been made in any four years (consecutive or not and not withdrawn) before the end of the calendar year the beneficiary turned 15.

OR

- A minimum of \$2,000 in RESP contributions, in respect of the beneficiary, must have been made (and not withdrawn) before the end of the calendar year the beneficiary turned 15.

2.3.1. Contributions Made Prior to 1998

RESP contributions made prior to the CESG being implemented in 1998 are not recorded in the CESP system. Therefore, when the CESP system validates contributions, some 16 or 17 year old beneficiaries may be refused grant even if they satisfy one of the above conditions. RESP promoters should review their monthly processing files to determine whether or not beneficiaries need to be investigated for this situation.

When beneficiaries have a grant refusal reason of 7 on the RT 900 report and there is proof that appropriate contributions have been made, RESP promoters can report back to the CESP system to receive the appropriate grant. This process is outlined in the Information Bulletin CESP-2006-010, June 20, 2006.

3. Annual CESG Limits and Grant Room

From 1998 to 2006, \$400 was added annually to the grant room for each eligible child (or since birth if the child was born after 1998). As of 2007, \$500 is added annually to the grant room for each eligible child (or since birth if the child was born after 2007). Grant room can accumulate until the end of the year in which the child turns 17, even if the child is not named as an RESP beneficiary. Unused grant room is carried forward for use in future years.

Period	Annual Amount Added to Grant Room per Beneficiary
1998 to 2006	\$400
Since 2007	\$500

CESG is paid on contributions made to an RESP in respect of a beneficiary. Eligible children can benefit from grant room only if they are beneficiaries of an RESP.

If all contributions made across all RESPs in respect of a beneficiary are insufficient to receive the full annual amount added to the grant room for a beneficiary, the difference (unused grant room) can be **carried forward** and added to the accumulated grant room for use in future years. This allows subscribers to potentially “catch up” on unused grant room.

The amount of grant room carried forward will affect the maximum amount of Basic CESG a beneficiary can receive in a single calendar year, provided sufficient contributions are made to the RESP.

For example...

If \$800 of grant room has accumulated due to a carry forward, the beneficiary's RESP could receive a total of \$800 of Basic CESG in a year from a \$4,000 RESP contribution made in respect of the beneficiary.

In this scenario, the full **\$4,000** of contributions would be eligible for the **20%** payment of Basic CESG, allowing the beneficiary to catch up on the grant room that had been carried forward. The full \$4,000 is then considered to be an assisted contribution.

The following table illustrates how Basic CESG is calculated for qualifying contributions. It also identifies corresponding annual Basic CESG limits.

Period	Basic CESG Annual Limit	Qualifying Contributions for Basic CESG Annual Limit
1998 to 2006	\$800 (20% of \$4,000)	\$4,000
Since 2007	\$1000 (20% of \$5,000)	\$5,000

4. Lifetime CESG Limits



Key Concept

The maximum lifetime CESG limit is \$7,200 per beneficiary.

If a subscriber opens an RESP for a child in the year the child is born and deposits \$2,000 annually until the end of the year in which the child turns 17, the contributions may be eligible for the maximum lifetime CESG of \$7,200.

For example ...

\$2,000	x	18 years	=	\$36,000 (Contributions)
\$400	x	18 years	=	\$7,200 (CESG) (20% of \$36,000)

5. Calculating the Basic CESG



Calculation

Basic CESG Formula

Qualifying Contributions	x	20%	=	Basic CESG Amount
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The amount of Basic CESG paid into an RESP depends on the accumulated grant room available for the beneficiary.

The following example illustrates the situation in which 20% of the Qualifying Contributions is exactly equal to the annual amount of grant room, resulting in no carry forward of unused grant room. This limits the contribution that could qualify for Basic CESG to:

- \$2,000 per year per beneficiary prior to 2007; or
- \$2,500 per year per beneficiary after 2006.

Example 1:

Year	Age of Beneficiary	Annual Amount Added to Grant Room	Qualifying Contributions	Assisted Contributions*	Basic CESG Paid
2005	Born	\$400	\$2,000	\$2,000	\$400
2006	1	\$400	\$2,000	\$2,000	\$400
2007	2	\$500	\$2,500	\$2,500	\$500
Sub-Totals:			\$6,500	\$6,500	\$1,300

* Once Qualifying Contributions have attracted grant they become **Assisted Contributions**.

In example 1 (on the previous page), the Assisted Contributions are the same as the Qualifying Contributions because 20% of the Qualifying Contributions equaled the exact annual amount added to the grant room. There were \$6,500 of Qualifying Contributions over 3 years, which attracted \$1,300 of grant. The formula for determining the amount of Basic CESG would be as follows:

$$\text{\$6,500 (Assisted Contributions)} \times 20\% = \text{\$1,300}$$

Note: This example assumes that the beneficiary has only one RESP. If more than one RESP has been opened for this beneficiary, it could affect the results of the calculation. See **8.1 Order of Payments** later in this chapter.

Example 2:

Year	Age of Beneficiary	Annual Amount Added to Grant Room	Qualifying Contributions	Assisted Contributions*	Basic CESG Paid
2005	Born	\$400	\$2,000	\$2,000	\$400
2006	1	\$400	\$2,000	\$2,000	\$400
2007	2	\$500	\$3,000	\$2,500	\$500
2008	3	\$500	\$4,000	\$2,500	\$500
Sub-Totals:			\$11,000	\$9,000	\$1,800

* Once Qualifying Contributions have attracted Grant they become **Assisted Contributions**.

In 2007 and 2008, the Assisted Contributions were less than the Qualifying Contributions, as 20% of the Qualifying Contributions exceeded the grant room for those years.

Even though \$11,000 in contributions were made, there are only \$9,000 of Assisted Contributions over the 4 years. The calculation for determining the amount of Basic CESG would be as follows:

$$\text{\$9,000 (Assisted Contributions)} \times 20\% = \text{\$1,800}$$

Note: This example assumes that the beneficiary has only one RESP. If more than one RESP has been opened for this beneficiary, it could affect the results of the calculation. See **8.1 Order of Payments** later in this chapter.

6. Calculating Grant Room and Carry Forward

As of 1998, grant room (unused Basic CESG amounts) accumulates for a child until the end of the year in which he/she turns 17, even if he/she is not a beneficiary of an RESP. Unused Basic CESG amounts for the current year are carried forward for possible use in future years.

- **1998 to 2006:** \$400 was added annually to the grant room for each eligible child since 1998 (or since birth if the child was born after 1998).
- **Since 2007:** \$500 is added annually to the grant room for each eligible child since 2007 (or since birth if the child was born after 2007).

The formula for calculating the amount of unused grant room that can be carried forward could be expressed as follows:



Calculation

Carry Forward Formula

Carry Forward	=	Accumulated Grant Room	–	Basic CESG Paid
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When there is grant room available as a carry forward from previous years, future RESP contributions may qualify for more than the annual amount added to the grant room per beneficiary. As of 2007, subscribers can catch up on the unused grant room by making more than \$2,500 in contributions each year.

Consider the following example over a 12 year period for a child born in 2005. The subscriber could catch up on four years of unused grant room from 2005 to 2008, by making annual contributions which exceed \$2,500 from 2009 to 2014.

For example ...**Grant Room and Carry Forward of Basic CESG – Child born in 2005 and has only one RESP**

Year	Annual Amount Added to Grant Room	Accumulated Grant Room	RESP Contributions	Basic CESG Paid to RESP	CESG Carry Forward
2005	\$400	\$400 (0 + \$400)	\$0	\$0	\$400
2006	\$400	\$800 (\$400 + \$400)	\$0	\$0	\$800
2007	\$500	\$1,300 (\$800 + \$500)	\$0	\$0	\$1,300
2008	\$500	\$1,800 (\$1,300 + \$500)	\$0	\$0	\$1,800
Child's parents enter into an RESP in 2009 and name child as beneficiary					
2009	\$500	\$2,300 (\$1,800 + \$500)	\$3,000 (Assisted)	\$600	\$1,700 (\$2,300 – \$600)
2010	\$500	\$2,200 (\$1,700 + \$500)	\$3,000 (Assisted)	\$600	\$1,600 (\$2,200 – \$600)
2011	\$500	\$2,100 (\$1,600 + \$500)	\$3,000 (Assisted)	\$600	\$1,500 (\$2,100 – \$600)
2012	\$500	\$2,000 (\$1,500 + \$500)	\$5,000 (Assisted)	\$1000	\$1,000 (\$2,000 – \$1000)
2013	\$500	\$1,500 (\$1,000 + \$500)	\$5,000 (Assisted)	\$1000	\$500 (\$1,500 – \$1000)
2014	\$500	\$1000 (\$500 + \$500)	\$5,000 (Assisted)	\$1000	\$0 (\$1000 – \$1000)
2015	\$500	\$500 (\$0 + \$500)	\$2,500 (Assisted)	\$500	\$0 (\$500 – \$500)
2016	\$500	\$500 (\$0 + \$500)	\$2,500 (Assisted)	\$500	\$0 (\$500 – \$500)

6.1. Grant Room and Family Residency



Key Concept

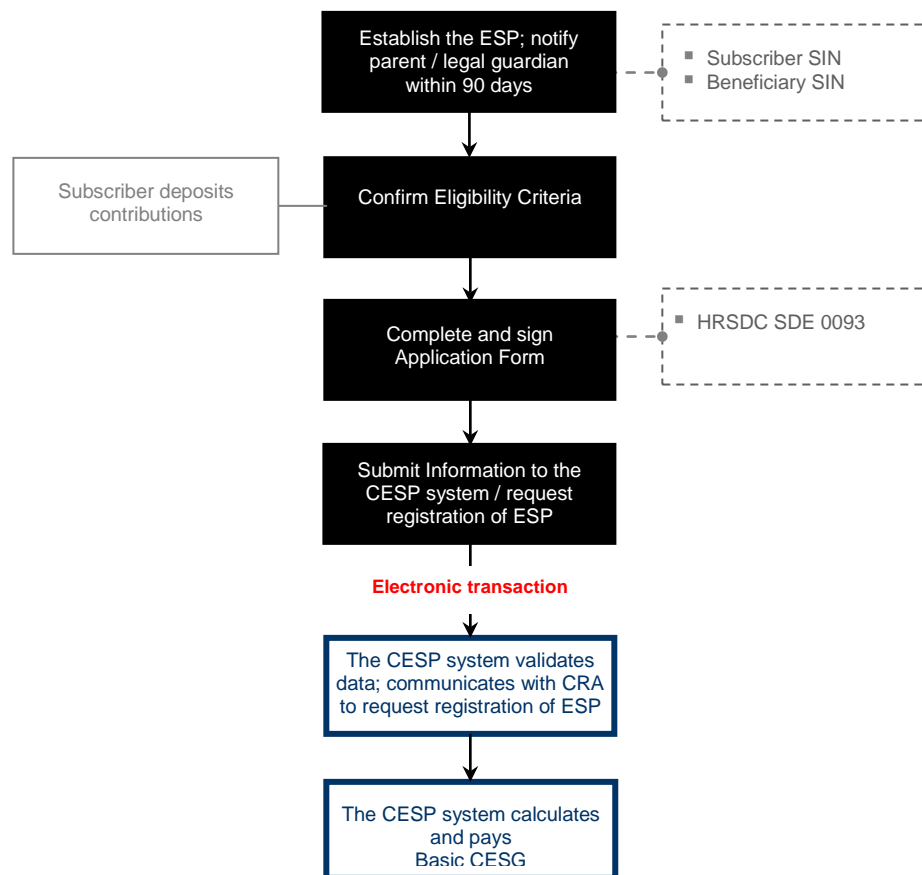
If a family moves out of Canada, they may not be considered Canadian residents for the time that they are out of the country. In this case, the children will not accumulate grant room during the period that the family does not meet residency requirements. The subscriber must inform the RESP promoter of the change in the beneficiary's residency status. In turn, the promoter may no longer accept RESP contributions nor request CESG for that beneficiary.

If the beneficiary's parents are with a diplomatic mission or in the Canadian Armed Forces, the family members are still considered to be Canadian residents. The children are, therefore, eligible for the CESG and will accumulate grant room.

In order to determine residency status, contact the International Tax Services Office, Canada Revenue Agency (CRA), at 1-800-267-5177.

7. Applying for the Basic CESG

The following illustration provides an overview of the **CESG application process**.



7.1. The Application Process – Basic CESG

Who is involved?

The process of applying for the Basic CESG includes the participation of the following individuals:

- RESP promoter
- subscriber(s)
- custodial parent or legal guardian

The RESP promoter facilitates the CESG application process by:

- establishing and requesting registration of an ESP; (initiated by the subscriber).
- helping the subscriber to identify the incentives for which the beneficiary qualifies by informing them of the eligibility criteria; and
- assisting the subscriber to complete the appropriate application form.

Note: The RESP promoter must be authorized to offer the CESG.

The following provides a step-by-step overview of the application process.

Subscriber:

1. The subscriber approaches an RESP promoter authorized to offer the Basic CESG with the intent of opening and registering an ESP and naming a beneficiary.

RESP Promoter:

2. The promoter establishes the ESP, making sure to obtain the SIN for:
 - the subscriber; and
 - the beneficiary.

Opening and Registering the ESP

The RESP promoter must notify the parent or legal guardian that an ESP has been opened for the beneficiary, within 90 days of establishing the plan. CESP is responsible for communicating to CRA the request to register the ESP. Once the plan has been registered, CRA will notify the RESP promoter directly. For more information, see **Chapter 1-4: Registered Education Savings Plans (RESPs), 2. Establishing the RESP.**

3. The promoter reviews the eligibility criteria with the subscriber to identify whether the beneficiary qualifies for the Basic CESG. See **2. Eligibility Criteria** earlier in this chapter.
4. The promoter ensures that the HRSDC SDE 0093 application form is completed and obtains the necessary signatures.

Note: Maintain the original signed CESP application form according to established record keeping procedures.

To view detailed instructions for completing application forms see **Appendix A: Application Forms – Education Savings Incentives**.

Accurate Information Ensures Payment of the CESG

When completing the CESG application form, it is important to verify the accuracy of the information. The information on the application form is used to electronically submit the request to CESP. Inaccurate information will result in the transaction being returned, and will delay the payment of the CESG. For more information see **Chapter 1–3: The CESP System and Interface Transaction Standards (ITS)**.

Subscriber:

5. The subscriber deposits contribution(s) to the RESP.

RESP contributions are required to qualify for the CESG.

Note: Special conditions apply to contributions for 16 and 17 year olds. See **2. Eligibility Criteria** earlier in this chapter.



Key Concept

RESP Contribution Limits per Beneficiary

The RESP promoter can take this opportunity to remind the subscriber of RESP contribution limits in respect of each beneficiary:

1998 to 2006:	Annual RESP Contribution Limit	\$4,000
	Lifetime RESP Contribution Limit	\$42,000
Since 2007:	Annual RESP Contribution Limit	No limit
	Lifetime RESP Contribution Limit	\$50,000

RESP Promoter:

6. The promoter processes the application form according to established procedures (see box below).



Technical Info

What Happens to Information Collected on the Application Form?

The information is collected by the RESP promoter's information system. This information is transmitted electronically to the CESP system to request the registration of the ESP and to request the CESG. See **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS), 4. Submitting Information to CESP**.

Use the **Post-Application Checklist** (below) to provide the subscriber with some helpful reminders.

7.2. Post-Application Checklist

- ☐ Confirm all information has been accurately recorded onto the CESG application form.

**Accurate information ensures timely payment of the CESG.
Inaccurate information may result in a delayed or reduced payment.**

- ☐ Remind subscribers of RESP annual and lifetime contribution limits, informing them of the need to coordinate contributions if they are aware of other RESPs that have been established for the beneficiary.

This will ensure they avoid overcontributions and potential penalty taxes.

- ☐ Remind the subscriber that as more than one RESP can be established for a beneficiary, this could result in the CESP system receiving multiple requests for the CESG in respect of the beneficiary.

If two (or more) requests for the CESG are submitted for the same beneficiary, the CESG will be paid to the first request submitted and successfully processed by the CESP system.

For more information, refer to **8.1 Order of Payments** in this chapter.

- ☐ If the subscriber is not the beneficiary's parent or legal guardian, advise the subscriber that the RESP promoter must notify the parent or legal guardian within 90 days that an ESP has been established.
- ☐ Advise subscribers that they will be notified by the RESP promoter once the ESP has been registered with CRA.
- ☐ Advise subscribers that they will be notified by the RESP promoter of the CESG payment.

8. Receiving and Depositing the CESG



Key Concept

The CESP system will acknowledge receipt of the request for the CESG by sending an RT 900 Transaction Processing Report to the RESP promoter. If the transaction request was successfully processed, this report will also indicate the amount of CESG to be paid.

Note: In some cases, this record may notify the RESP promoter that payment of the CESG is being refused or that a repayment is required. See **8.3 Reasons for Non-Payment of the CESG** below and **9. Repaying the CESG** later in this chapter.

Once the RESP promoter receives the CESG payment, they will:

1. Deposit the CESG payment into the RESP in respect of the beneficiary.

The RESP promoter tracks and manages transactions within the various accounts. Therefore, the Grant payment will be 'deposited' to the CESG **RESP account**.

2. Notify the subscriber (via account statements) that the CESG has been deposited into the RESP.

8.1. Order of Payments

Since a child can be a beneficiary of more than one RESP at a given time, the CESP system responds to requests for the CESG on a first-come, first-served basis.

Therefore, when multiple grant requests for the same beneficiary are received for the same monthly *reporting period*, the CESG will be paid to the first successfully submitted request.

If more than one grant request has the same contribution date, the CESG will be pro-rated across all successfully processed requests.

8.2. Sharing the CESG and Earnings – Family and Group Plans

The Basic CESG and earnings can be used in an EAP by any eligible beneficiary of the RESP, as long as the beneficiaries meet the requirements for the EAP.

The following table identifies whether beneficiaries can share the CESG and earnings, based on the type of plan.

	Family Plans	Group Plans
Basic CESG and earnings can be shared by:	Cousins or siblings.	The CESG and earnings cannot be shared. *

* With the introduction of the Additional CESG incentive authorized by the Canada Education Savings Act (CESA), the CESG and earnings can no longer be shared among beneficiaries in a Group Plan. This applies even if the plan only received the Basic CESG.

Forfeited CESG and Earnings on the CESG in Group Plans

The CESA and new Regulations stipulate:

“CESG amounts and the earnings generated on them may only be shared among the beneficiaries of the RESP.”

The term “RESP” used in Section 18(1) of the Regulations refers only to the individual contract itself and not the group RESPs under the same specimen plan.

As a result, forfeited CESG and forfeited earnings on the CESG can no longer be redistributed amongst group RESP cohorts after July 1, 2005.

While any forfeited CESG amounts must be repaid to the Government of Canada, forfeited earnings can be managed in one of the following ways:

- as an Accumulated Income Payment (AIP)
- as a payment to a designated educational institution.

For more information about these options, see **Chapter 3-3: Options for Assets Remaining in the RESP**.

8.3. Reasons for Non-Payment of the CESG

In order to ensure that beneficiaries receive the CESG to which they are entitled, the RESP promoter must:

- Accurately complete the appropriate CESG application form. See **Appendix A: Application Forms – Education Savings Incentives**.
- Submit the information collected on the form, along with other required data, to the CESP system via an electronic transaction. This transaction must pass all formatting and business rules validation according to the ITS.

For more information about the types of reports that are sent to and received from the CESP system, see **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)**.

The CESP system will acknowledge a successfully processed transaction by sending the RESP promoter an RT 900 report, which will include the amount of CESG to be paid.

There are also situations when this report will specify reasons for non-payment of the CESG.

Non-payment will occur when a transaction is either **rejected** or **refused**.

8.3.1. When Transactions are Rejected

If a submitted transaction contains an error (e.g. in the format of the transaction) it will be rejected and the correct information must be resubmitted.

An Error Report (RT 800) will be sent to the RESP promoter's Head Office staff responsible for sending and receiving CESP system transactions to make the necessary corrections. (See the box **Submitting a Correction to the CESP System**, below.)

8.3.2. When Payments are Refused

If due to non-compliance with the business rules associated with the CESG (e.g. contributions for 16 or 17 year olds), payment may be refused. The RESP promoter will receive notification via the RT 900 Transaction Processing Report. The RESP promoter should contact the subscriber to confirm eligibility criteria.

In some cases, payment of the CESG may be refused for other reasons; for example all grant room for that beneficiary has been utilized. See **3. Annual CESG Limits and Grant Room** earlier in this chapter. For more information about other refusal reasons, refer to the *ITS*, available on the ESDC Web site.



Technical
Info

Submitting a Correction to the CESP System

To submit a correction to a financial transaction (RT 400), the sender (RESP promoter) must first submit a reversal transaction followed by a transaction with the corrected information.

Reversals indicate that the transaction did not actually occur as reported.

The reversal transaction must always reference the financial transaction being reversed by providing the RESP promoter's Business Number and the original **Transaction ID**.

Once the CESP system matches the original and reversal transactions, the incorrect information is 'cancelled'.

Senders can then submit the new RT 400 transaction with the corrected information.

For more information, see **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)** or refer to ESDC's *Interface Transaction Standards (ITS)*, available on the ESDC Web site.

8.4. Condition for Payment of the CESG – Three-Year Rule

As of January 1, 2005, any requests for the CESG must be submitted and successfully processed **within three years of the original transaction date**.

This condition ensures that eligible children receive the CESG within a reasonable timeframe and that payments are not delayed due to administrative issues.

This three-year rule also applies to correcting financial transactions. If the RESP promoter submits incorrect information or makes a formatting error in the financial transaction, they must correct and re-submit that transaction within three-years of the original transaction date.

For example...

On July 14, 2006, due to a keying error on the part of the RESP promoter, the contribution transaction did not include a request for the CESG.

The CESP system will return an RT 900 Transaction Processing Report, notifying the RESP promoter that Grant was not paid because it was not requested.

To obtain CESG on this contribution, the RESP promoter must reverse the original transaction (that requested no Grant) and resubmit a new transaction with the Grant Requested Flag set to “Yes”. The new transaction must be successfully processed by the CESP system within three years of the July 14, 2006, transaction date, specifically July 14, 2009.

If the RESP promoter fails to successfully submit or correct the transaction within the three year period, the CESP system will process the transaction but will not pay the CESG.

9. Repaying the CESG

Certain circumstances will require a repayment of the CESG to the Government of Canada. These fall under one of two categories (or types), as follows:

- **withdrawal of assisted contributions**
(the most common repayment transaction)
- **other repayment circumstances**

The type of circumstance will determine the method used to calculate the amount of the CESG that must be repaid.

Repayment Consequences

Repayment of the CESG will result in loss of the beneficiary's grant room, which will not be restored. For more information, see **3. Annual CESG Limits and Grant Room** earlier in this chapter.

9.1. The Repayment Process

Regarding repayment of the CESG, the RESP promoter must:

1. recognize and identify the transactions that will result in a CESG repayment;
2. determine the amount of CESG repayment; and
3. submit the required financial transaction(s) to the CESP system, indicating the amount of and reason for the repayment. See **9.5 Submitting Repayment Information to CESP** later in this chapter.

9.2. Withdrawal of Assisted Contributions

The CESG was introduced as a contribution-based incentive to encourage parents to save for their child's post-secondary education. Consequently, there are specific rules that govern the withdrawal of contributions from an RESP.

9.2.1. Order of Contribution Withdrawals

When a subscriber withdraws contributions from an RESP, they will be withdrawn in the following order:

1. assisted contributions – 1998 and after
2. unassisted contributions – 1998 and after
3. unassisted contributions – pre-1998

A subscriber can only withdraw contributions from an RESP, without having to repay the CESG, if the withdrawal is:

- to correct an overcontribution less than \$4000; or
- because a beneficiary of the plan is eligible to receive an EAP.

In any other instance, the withdrawal of assisted contributions will require a repayment of the CESG.

Withdrawals to Correct an Overcontribution

When an overcontribution exists, the subscriber(s) must correct the situation in order to adhere to annual and lifetime limits. Under normal circumstances, a withdrawal of contributions will require a repayment of the CESG. However, if the withdrawal is to correct an overcontribution (**and the amount of the overcontribution at the time of the withdrawal is \$4,000 or less**), then the CESG will not have to be repaid.

The subscriber is required to complete and provide the RESP Promoter with the following form: *Subscriber Statement for an RESP Overcontribution Withdrawal of \$4,000 or Less*. See **Appendix D: Forms Index – Education Savings Incentives**. This document must be kept with the customer's file; it represents a record as to why the RESP Promoter did not submit a CESG repayment amount when a withdrawal of contributions occurred.

For more information, see **Chapter 1-4: Registered Education Savings Plans (RESPs), 5. Overcontributions**.

9.2.2. Calculating the CESG Repayment – Withdrawal of Assisted Contributions

With the introduction of the CESA and its related regulations, the percentage of the repayment will vary depending on:

- the amount of the withdrawal;
- the amount of assisted contributions; and
- the amount of CESG received.

The following formula is used to calculate the CESG repayment amount **when assisted contributions are withdrawn**. This amount will be the lesser of:



Calculation

1) The amount calculated using the formula: $A / B \times C$, where:

A = balance in the CESG account of the RESP immediately before the withdrawal of assisted contributions

B = balance of the total assisted contributions in the RESP immediately before the withdrawal of assisted contributions

C = amount of the assisted contributions withdrawal

OR

2) The balance in the CESG account of the RESP immediately before the withdrawal of assisted contributions (represented by “A” in the formula).

To determine the amount of CESG to be repaid, the RESP promoter must determine the amounts represented by “A”, “B” and “C” and calculate the results. Consider an example involving a beneficiary, for whom contributions were made over two years, 2005 and 2006:

For example ...				
Year	Age of Beneficiary	Assisted Contributions	Basic CESG Paid	Contributions Withdrawn
2005	Born	\$2,000	\$400	
2006	1	\$2,000	\$400	\$1,000
Totals:		\$4,000	\$800	\$1,000

The formula values for $A / B \times C$ are:

A =	\$800	Balance in the CESG account of the RESP immediately before the withdrawal
B =	\$4,000	Balance of the total assisted contributions in the RESP immediately before the withdrawal
C =	\$1,000	Amount of the assisted contributions withdrawal

Based on the previous example, the following amounts can be populated:



Calculation

1) The amount calculated using the formula: $A / B \times C$

$$\$800 / \$4,000 \times \$1,000 = \$200$$

OR

2) The balance in the CESG account of the RESP immediately before the withdrawal (represented by “A” in the formula).

\$800

The result of the formula $A / B \times C$, which is **\$200**, is the lesser of the two amounts and the amount of CESG that must be repaid.

9.3. Withdrawing Pre-1998 Contributions

Since the CESP was introduced in 1998, RESP contributions made prior to that year did not qualify for the CESG. Therefore, the CESG was not paid on pre-1998 contributions.

RESP contributions made before 1998 cannot be withdrawn and then re-contributed to the same or another RESP (for the same beneficiary) with the intention of receiving the CESG.

Consequences of Withdrawing Pre-1998 Contributions

As explained earlier in this chapter, a certain order must be followed when withdrawing RESP contributions.

A withdrawal of pre-1998 contributions will cause **all** beneficiaries under the plan to be ineligible for CESG under any plan:

- in the calendar year in which the withdrawal was made;
- and
- for the following two calendar years.

9.4. Other Repayment Circumstances

In addition to the withdrawal of assisted contributions, there are a number of other circumstances in which the CESG must be repaid.

The RESP promoter must also repay the CESG in an RESP when:

- The RESP is terminated.
- The registration for the RESP is revoked.
- An AIP is made.
- A payment to a designated educational institution is made.
- An EAP is made to an individual who is not a beneficiary of the RESP.
- An ineligible transfer occurs.
- An ineligible beneficiary replacement occurs.
- A beneficiary, who is not a sibling, is added to a sibling-only RESP after Additional CESG has been paid into this RESP.

Promoters initiate a CESG repayment from an RESP by submitting a transaction to the CESP system, indicating the amount of CESG to repay and the repayment reason. The CESP system makes monthly direct deposits for each promoter, which includes all incentive payments made for all successfully processed transactions submitted by the promoter in the previous month. All repayment amounts for the previous month are subtracted from the amount that would normally be paid to promoters in their next direct deposit. See also **9.5. Submitting Repayment Information to CESP** later in this chapter.

Beneficiaries may also be asked to return CESG amounts paid in EAPs

Beneficiaries are allowed to receive a lifetime EAP limit of \$7,200 in CESG. They must also be residents of Canada to receive CESG amounts in an EAP.

If it is determined that they were not entitled to receive CESG amounts in some of their EAPs, beneficiaries may receive a Notice of Debt for these amounts, with repayment instructions.

Promoters would not submit transactions to the CESP system in these cases because the beneficiaries pay this debt directly to the Government of Canada. However, there may be situations in which a beneficiary could avoid having to pay this debt. Promoters can contact their CESP Promoter Support Officer for additional information.

9.4.1. Calculating the Repayment Amount – Other Circumstances

If the promoter repays CESG from an RESP for any of the above reasons, the amount to repay is equal to the lesser of:

- the total in the CESG account immediately before the occurrence; and
- the fair market value of the **property** held in the RESP, immediately before the occurrence.

9.5. Submitting Repayment Information to the CESP System

Financial transactions (Record Type 400) are used to record the movement of funds into or out of the RESP (with the exception of earnings). A repayment of the CESG (or any other incentive) is considered to be a financial transaction.

When submitting repayment information to the CESP system, the RESP promoter will submit the following transaction to the CESP system:

- Record Type (RT) 400, Transaction Type 21 (Grant repayment)

In addition, the transaction will identify the Repayment Reason (or flag), with one of the following codes:

- 01 Contribution withdrawal
- 02 AIP (Accumulated Income Payment)
- 03 Contract termination
- 04 Ineligible transfer
- 05 Ineligible beneficiary replacement
- 06 Payment to an educational institution
- 07 Revocation (of plan)
- 08 Ceases to meet Sibling-Only condition
- 09 Deceased (beneficiary)
- 10 Overcontribution withdrawal
- 11 Other

In all repayment transactions, RESP promoters must report only the amount of incentive being repaid to CESP. For more detailed information about how transactions are processed between the RESP promoter and the CESP system, see **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)**.

9.6. How Funds are Used to Repay the CESG

The repayment transactions submitted to the CESP system will depend on whether or not there are sufficient funds in the RESP at the time repayment is required.

9.6.1. When Sufficient Funds Exist in the RESP

If there are sufficient funds in the RESP, the RESP promoter will repay the CESG from the corresponding RESP account.

For example...

Repayment Reason: The CESG will not be used as an EAP by the beneficiary or other eligible beneficiary and the plan is terminated. The RESP individual (non-family) plan looks like this:

RESP Market Value	Earnings	Contributions	CESG
\$26,829	\$9,229	\$14,000	\$3,600
CESG Repayable:		\$3,600	

Based on the above example, the RESP promoter will withdraw the funds from the RESP and submit the following repayment transaction to the CESP system.

RT 400-21(03) **Grant repayment transaction** with a **reason code of (03)**, identifying a contract termination, and **\$3,600** in the CESG amount field identifying the repayment amount.

When the RESP includes other incentives, a separate calculation is used to determine the amounts repayable. Refer to the related incentive chapters in **Section 2: Education Savings Incentives**.

9.6.2. When Insufficient Funds Exist in the RESP and the Plan is Terminated

When the RESP is terminated, any CESG (or any other incentive) must be repaid.

If the RESP has experienced a loss and there are insufficient funds to cover the total amount of CESG repayable, the RESP promoter must submit a **Termination Adjustment Transaction** to CESP to advise them of the shortfall.

Losses are first attributed to earnings, and then to contributions. Once these accounts are depleted, any remaining losses are apportioned equally across the incentive accounts in the RESP.

The following example illustrates how the RESP promoter will determine the amount and repayment transaction that must be submitted to the CESP system when only the CESG incentive has been paid into the RESP.

F o r e x a m p l e ...			
Repayment Reason: The RESP is terminated. The RESP individual (non-family) plan looks like this:			
RESP Market Value	Earnings	Contributions	CESG
\$1,000	\$0	\$0	\$1,200
Note: Losses in the plan have been applied to the earnings and then to contributions. Therefore, these accounts show a balance of \$0.			
Total Incentive (CESG) Repayment:		\$1,200	

Based on this example, the CESG repayable (\$1,200) exceeds the market value of the RESP (\$1,000). Therefore, the RESP promoter must repay the lesser amount of \$1,000.

To account for the difference of \$200, the RESP promoter must also send a Termination adjustment transaction to inform the CESP system of the shortfall, **but only when the RESP is terminated**.

The following transactions are used to submit this information:

RT 400-21(03) **A Grant repayment transaction** with a **reason code of (03)**, identifies a contract termination, and **\$1,000** in the CESG amount field identifies the repayment amount.

RT 400-22 **Termination adjustment transaction**, identifies \$200 as the amount of the shortfall (market value less than CESG paid into the RESP).

Even if the CESG repayment is \$0, as a result of losses in RESP earnings, contributions and the CESG, the 2 transactions above must still be reported to the CESP system.

When the RESP includes other incentives, a separate calculation is used to determine the amounts repayable. Refer to the related incentive chapters in **Section 2: Education Savings Incentives**.

Note: *In most cases, the RESP promoter's financial system will automatically calculate the amount of incentive(s) repayable. However, understanding how to determine the amount to be repaid will help RESP promoters to communicate this information to their clients.*

10. Other Transactions Involving the CESG

The RESP promoter may also be asked to handle other transactions involving the CESG. These include:

- Transferring funds (including the CESG) from one RESP to another

See **Chapter 3-1: RESP Transfers and the Education Savings Incentives**

- Responding to a request for an EAP and calculating the CESG portion of the EAP

See **Chapter 3-2: Post-Secondary Education and Educational Assistance Payments (EAPs)**



Important notice: This document is revised regularly. Visit the following address for the latest version:
http://www.esdc.gc.ca/eng/jobs/student/promoters/user_guide/index.shtml

CESP – RESP Provider User Guide

CHAPTER 2-2

The Basic and Additional Canada Education Savings Grant (CESG)

The Canada Education Savings Grant (CESG) is an education savings incentive administered by the Canada Education Savings Program (CESP), Employment and Social Development Canada (ESDC).

Registered Education Savings Plan (RESP) promoters must be authorized by ESDC to offer the CESG or any other education savings incentive administered by ESDC.

The CESG is based on contributions made to an RESP in respect of an eligible beneficiary and is comprised of two components:

- Basic CESG
- Additional CESG

See **Appendix C** for a list of acronyms and terms used in this guide.

In this chapter



CESG

1. The Basic and Additional CESG – An Overview	2 – 2 – 2
2. Eligibility Criteria	2 – 2 – 3
3. Annual CESG Limits and Grant Room	2 – 2 – 10
4. Lifetime CESG Limits	2 – 2 – 12
5. Calculating the Basic CESG	2 – 2 – 12
6. Calculating the Basic and Additional CESG	2 – 2 – 14
7. Calculating Grant Room and Carry Forward	2 – 2 – 16
8. Applying for the Basic and Additional CESG	2 – 2 – 20
9. Receiving and Depositing the CESG	2 – 2 – 25
10. Repaying the CESG	2 – 2 – 29
11. Other Transactions Involving the CESG	2 – 2 – 38

1. The Basic and Additional CESG – An Overview

Basic CESG is a payment of **20% on RESP contributions** made on or after January 1, 1998, in respect of an eligible beneficiary, up until the end of the calendar year in which the beneficiary turns 17. The amount of annual Basic CESG payable per beneficiary is limited to the lesser of the following two amounts:

- accumulated grant room available for the beneficiary (see **7. Calculating Carry Forward and Grant Room** in this chapter)
- Basic CESG annual limit

For information about accumulated grant room, see **3. Annual CESG Limits and Grant Room**, later in this chapter.

Period	Basic CESG Annual Limit	Contribution Required for Basic CESG Annual Limit
1998 to 2006	\$800 (20% of \$4,000)	\$4,000
Since 2007	\$1,000 (20% of \$5,000)	\$5,000



Calculation

For example ...

$$\text{\$2,500 annual contributions} \times 20\% = \text{\$500 CESG}$$

Additional CESG is a payment (over and above the Basic CESG amount) of either 10% or 20% on the first \$500 or less of annual RESP contributions made on or after January 1, 2005, in respect of an eligible beneficiary, up until the end of the calendar year in which the beneficiary turns 17.

The percentage of Additional CESG paid is based on the adjusted family net income of the beneficiary's primary caregiver (PCG) and is determined as follows:

Adjusted family net income (2014 Income Levels; indexed yearly)	Additional CESG Rate
\$43,953* or less	20%
More than \$43,953 but not more than \$87,907	10%
More than \$87,907	Beneficiary is not eligible

The maximum annual 10% Additional CESG payment is \$50 per child.

$$\text{\$500 annual contributions} \times 10\% = \text{\$50 Additional CESG}$$

The maximum annual 20% Additional CESG payment is \$100 per child.

$$\text{\$500 annual contributions} \times 20\% = \text{\$100 Additional CESG}$$



Calculation

1.1. How it Works

The payment of the CESG is based on the following requirements:

- **An RESP.** A **subscriber** must meet with a participating RESP promoter, open an RESP, and name an eligible **beneficiary**.
- **RESP Contributions.** The subscriber makes contributions to the RESP. Over the years, savings and earnings grow.
- **Eligibility criteria.** The subscriber and participating RESP promoter ensure that all eligibility criteria for the CESG have been met.
- **Application Process.** The subscriber requests a participating RESP promoter to apply for the CESG on their behalf. See **8. Applying for the Basic and Additional CESG**, later in this chapter.

2. Eligibility Criteria

In order to determine if a contribution is eligible for the Basic CESG, or both the Basic and Additional CESG, the following eligibility criteria should be considered:

2.1. Basic CESG

- ☐ Does the beneficiary have a valid Social Insurance Number (SIN)?
- ☐ Has the subscriber established and registered an Education Savings Plan (ESP) and named a beneficiary?
- ☐ Was the beneficiary a Canadian resident at the time the contribution was made?
- ☐ Was the contribution made prior to the end of the calendar year in which the beneficiary turned 17?
- ☐ If the beneficiary is 16 or 17 years old, has one of the following two conditions been met?

A minimum of \$100 in annual RESP contributions has been made in each of any four years (consecutive or not and not withdrawn) before the end of the calendar year the beneficiary turned 15.

OR

A minimum of \$2,000 in RESP contributions has been made (and not withdrawn) before the end of the calendar year the beneficiary turned 15.

*If all of the questions to this point have been answered in the affirmative, the contribution may be eligible for the **Basic CESG**.*

2.2. Additional CESG

- ☐ Is the RESP an individual (non-family) plan or a family plan in which all beneficiaries are siblings?
- ☐ Was the contribution made to the RESP on or after January 1, 2005?
- ☐ Does the beneficiary's **individual PCG** have a valid **SIN** or does the **public PCG** (an agency responsible for a child in care) have a **Business Number (BN)**?
- ☐ Is the beneficiary's individual PCG currently entitled to the Canada Child Tax Benefit (CCTB)?
- ☐ Is the beneficiary a dependant of an individual PCG whose adjusted family net income is less than \$87,907? *

*If all of the questions to this point have been answered in the affirmative, the contribution may be eligible for both the **Basic CESG** and the **10% Additional CESG**.*

- ☐ Is the beneficiary a dependant of an individual PCG whose adjusted family net income is less than \$43,953? *

*If all of the questions to this point have been answered in the affirmative, the contribution may be eligible for both the **Basic CESG** and the **20% Additional CESG**.*

* 2014 Income levels; indexed annually.

2.2.1. Eligibility for a Child in Care

If the beneficiary is a child in care and met the eligibility criteria for the Basic CESG, the beneficiary automatically qualifies for the 20% Additional CESG if the agency is receiving payments under the CSAA in respect of the beneficiary.

2.3. Types of RESPs and the CESG



Key Concept

The **Basic CESG** rate of 20% is payable on all eligible contributions made to an RESP recognized by the ITA.

The **Additional CESG** rates of 10% or 20% on the first \$500 of RESP contributions are payable only into the following types of RESPs:

- An individual (non-family) plan
- OR**
- A family plan in which all beneficiaries are siblings

2.4. RESP Contributions and CESG Eligibility



Key Concept

Payment of the CESG is based on contributions deposited to an RESP and is subject to annual and lifetime limits. For more information, see **3. Annual CESG Limits and Grant Room**, later in this chapter.

Contributions to an RESP are considered to be “assisted” or “unassisted” in respect of the CESG:

- **Assisted contributions:** RESP contributions that attracted CESG payments.
- **Unassisted contributions:** RESP contributions that *did not* attract CESG payments.

Consequences to Withdrawing Assisted Contributions

The withdrawal of assisted contributions from the RESP may trigger a repayment of the CESG and may affect grant eligibility. See **10. Repaying the CESG**, later in this chapter.

2.5. Contributions and the CESG Age Limit

To qualify for CESG payments, contributions must be made to an RESP in respect of an eligible beneficiary who is:

- named under the RESP; and
- a resident of Canada at the time of each contribution

As of 1998, CESG has been available for all eligible Canadian beneficiaries starting from the year they are born, until the end of the calendar year in which they turn 17.

For example...

Janet turns 17 on December 15, 2005. She is only eligible to receive the CESG for two more weeks in that year – until December 31, 2005.

Mary turns 17 on January 23, 2005. She can receive the CESG for the rest of that year – until December 31, 2005.



Key Concept

2.6. Contributions for 16 and 17 Year-Old Beneficiaries



Key Concept

Special conditions apply for beneficiaries who are 16 and 17 years old. In order for those contributions to be eligible for the CESG:

- a minimum of \$100 in annual RESP contributions, in respect of the beneficiary, must have been made in any four years (consecutive or not and not withdrawn) before the end of the calendar year the beneficiary turned 15

OR

- a minimum of \$2,000 in RESP contributions, in respect of the beneficiary, must have been made (and not withdrawn) before the end of the calendar year the beneficiary turned 15.

For more information, see **2.4 RESP Contributions and CESG Eligibility**, above.

2.6.1. Contributions Made Prior to 1998

RESP contributions made prior to the CESG being implemented in 1998 are not recorded in the CESP system. Therefore, when the CESP system validates contributions, some 16 or 17 year old beneficiaries may be refused grant even if they satisfy one of the above conditions. RESP promoters should review their monthly processing files to determine whether or not beneficiaries need to be investigated for this situation.

When beneficiaries have a grant refusal reason of 7 on the RT 900 report and there is proof that appropriate contributions have been made, RESP promoters can report back to the CESP system to receive the appropriate grant. This process is outlined in the Information Bulletin CESP-2006-010, June 20, 2006.

2.7. The PCG's SIN or BN

The individual PCG's **SIN** or public PCG's **BN** (for an agency responsible for a child in care) allows the CESP system to verify the beneficiary's eligibility for the Additional CESG rates with the Canada Revenue Agency (CRA), Benefit Plans Division.

CRA will identify and verify the following PCG information with ESDC:

- The adjusted family net income level of the beneficiary's PCG for a given taxation year. (See **2.12 Tax Year Used to Validate Eligibility for Additional CESG**)
- The beneficiary's eligibility for the Additional CESG rates of 10% or 20% (based on the PCG's adjusted family net income level).
- If the beneficiary is a dependent of the PCG.

The Additional CESG entitlement is assessed every year.

PCG SIN is Used to Verify Eligibility for Additional CESG

The individual PCG's SIN or public primary caregiver's BN is used by CRA to confirm the beneficiary's eligibility for the Additional CESG, based on the assessment of the primary caregiver's adjusted family net income. This assessment will include verifying the following information:

- That the individual PCG has applied for the **CCTB** at the time they filed their last tax return.

OR

- That an agency (or public primary caregiver responsible for a child in care) is entitled to payments under the **CSAA**

Each contribution submitted to the CESP system requesting payment of the Additional CESG rates will be assessed to determine the rate to be applied (10% or 20%).

2.8. CCTB

The CCTB is a tax-free monthly payment made to eligible families to help them with the cost of raising children under the age of 18. Included with the CCTB is the National Child Benefit Supplement (NCBS), a monthly benefit for modest-income families with children. See **Chapter 2-3: The Canada Learning Bond (CLB), 2.2 The National Child Benefit Supplement (NCBS)**.

For the purposes of the Additional CESG, CRA identifies and confirms those families or PCGs eligible to receive the CCTB.

To receive the CCTB, it is necessary to complete an application form. This form, plus additional information, is available from CRA. Contact any local Tax Services Office, visit www.cra-arc.gc.ca or call toll-free at 1-800-959-8281 for additional information.

2.9. Payments under the CSAA

Children in the care of an agency (children in care) are eligible for the Additional CESG, based on the agency's entitlement to a payment under the CSAA.

The Children's Special Allowance is a tax-free monthly payment for a child who is under the age of 18, who physically resides in Canada, and who is under the care of an agency.

A child in care must still meet all of the eligibility criteria in order to receive the Additional CESG payments.

2.10. PCG Used to Validate Eligibility for Additional CESG

In order for the CESP system to determine Additional CESG eligibility, a PCG must consent to have CRA share adjusted family net income information with the CESP system. This consent is given when a PCG completes the CESG application form.



Key Concept

To request Additional CESG on contributions, promoters must submit the identity of the PCG named on the application form. The CESP system validates Additional CESG eligibility for each contribution using the adjusted family net income of the PCG associated with that contribution.

2.11. Shared Custody

Before July 1 2011, only one eligible individual could receive the CCTB in respect of a qualified dependant each month. As of July 1st 2011, one child can be in the care of two PCGs in the same month of a given year. In the case of shared custody, the CCTB is shared by the PCGs.

Example

Robert and Sarah decided to live separately and agreed to share custody of their child, Natasha. CRA considers both Robert and Sarah to be a PCG for Natasha.

After July 1 2011, both Robert and Sarah began receiving their share of Natasha's CCTB payments for every month of the CCTB benefit year.

Example

Sarah shares custody of Natasha with Robert. Both Robert and Sarah are eligible to receive CCTB payments for Natasha throughout the entire CCTB benefit year.

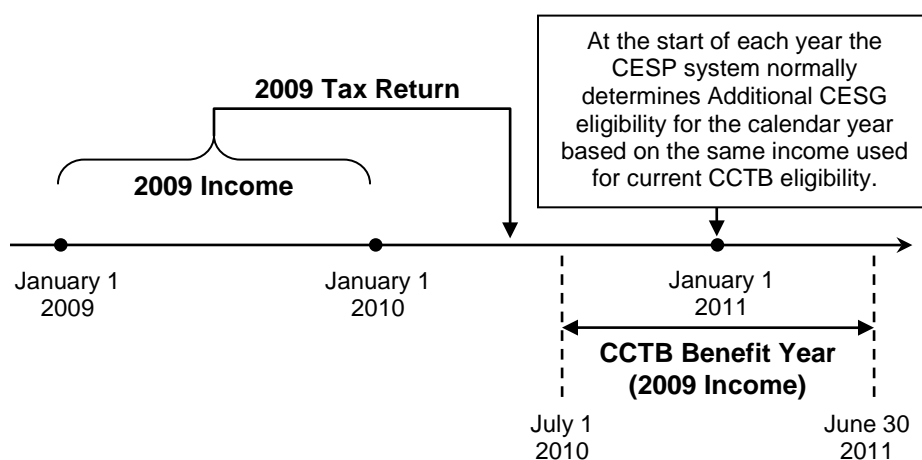
RESP for Natasha	PCG recognized by CRA for Natasha	PCG named on the Additional CESG application form
RESP A	Robert and Sarah	Robert
RESP B	Robert and Sarah	Sarah

In the example above, all of Natasha's contributions to RESP "A" are submitted to the CESP system with Robert as the PCG named on the application form. Similarly, all of Natasha's contributions to RESP "B" are submitted to the CESP system with Sarah as the PCG named on the application form. The CESP system validates Natasha's Additional CESG eligibility using the PCG associated with each contribution.

2.12. Tax Year Used to Validate Eligibility for Additional CESG

The most recent tax information is used to determine CCTB amounts for a new benefit year, which begins on July 1st and ends on June 30. Additional CESG rates are established from the same income used to determine these CCTB amounts.

The CESP system uses income for one tax year to validate Additional CESG eligibility for all contributions made in a calendar year in respect of a beneficiary. On January 1 of each year, the CESP system re-examines Additional CESG eligibility of existing beneficiaries for that calendar year. At the beginning of a calendar year, the most recent income reported to CRA is normally from two years in the past. For example, on January 1 2011, the most recent income is from 2009 and reported to CRA in 2010.

**Exception**

If the initial Additional CESG request made for a beneficiary, for whom CCTB is paid to a PCG for the first time between July 1 and December 31, eligibility (for that calendar year only) may be validated using income from the previous calendar year.

3. Annual CESG Limits and Grant Room

From 1998 to 2006, \$400 was added annually to the grant room for each eligible child (or since birth if the child was born after 1998). As of 2007, \$500 is added annually to the grant room for each eligible child (or since birth if the child was born after 2007). Grant room can accumulate until the end of the year in which the child turns 17, even if the child is not named as a beneficiary in an RESP. Unused grant room is carried forward for use in future years.

Period	Annual Amount Added to Grant Room per Beneficiary
1998 to 2006	\$400
Since 2007	\$500

CESG is paid on contributions made to an RESP in respect of a beneficiary. Eligible children can benefit from grant room only if they are beneficiaries of an RESP.

If all contributions made across all RESPs in respect of a beneficiary are insufficient to receive the full annual amount added to the grant room for a beneficiary, the difference (unused grant room) can be **carried forward** and added to the accumulated grant room for use in future years. This allows subscribers to potentially catch up on unused grant room.

The amount of grant room carried forward will affect the maximum amount of Basic CESG a beneficiary can receive in a single calendar year, provided sufficient contributions are made to the RESP.

For example...

If \$800 of grant room has accumulated due to a carry forward, the beneficiary's RESP could receive a total of \$800 of Basic CESG in a year from a \$4,000 RESP contribution made in respect of the beneficiary.

In this scenario, the full **\$4,000** of contributions would be eligible for the **20%** payment of Basic CESG, allowing the beneficiary to catch up on the grant room that had been carried forward. The full \$4,000 is then considered to be an assisted contribution.

Eligibility for the Additional CESG rates could further increase the total CESG limit for that year.

For example...

If the beneficiary is eligible to receive the 10% Additional CESG on the first \$500 of contributions, \$50 ($\$500 \times 10\%$) of Additional CESG would be paid over and above the \$800 of Basic CESG shown in the previous example. This means the total CESG limit for that year would be \$850.

If the beneficiary is eligible to receive the 20% Additional CESG on the first \$500 of contributions, \$100 ($\$500 \times 20\%$) of Additional CESG would be paid over and above the \$800 of Basic CESG shown in the previous example. This means the total CESG limit for that year would be \$900.

Important Note: Entitlement to Additional CESG amounts cannot be carried forward to subsequent years.

The following tables illustrate how both the Basic and Additional CESG rates are calculated. It also identifies corresponding annual CESG limits.

Period	Basic CESG Annual Limit	Contribution Required for Basic CESG Annual Limit
1998 to 2006	\$800 (20% of \$4,000)	\$4,000
Since 2007	\$1,000 (20% of \$5,000)	\$5,000

PCG Adjusted Family Net Income (2014 income levels; indexed annually)	Additional CESG Annual Limit
\$43,953 or less	\$100 (20% of \$500)
More than \$43,953 but not more than \$87,907	\$50 (10% of \$500)
More than \$87,907	0

Annual Maximum Amounts per Beneficiary

RESP Contribution Limits:	1998 to 2006		\$4,000
	Since 2007		No annual limit
Basic CESG:	1998 to 2006	Annual amount added to grant room	\$400
		Basic CESG annual limit	\$800
	Since 2007	Annual amount added to grant room	\$ 500
		Basic CESG annual limit	\$1000
Additional CESG:	Since 2005	Yearly maximum Additional CESG (10% or 20% on the first \$500 of contributions)	+ \$100 OR + \$50
Total CESG: (Basic + Additional)	2005 to 2006	Yearly maximum payable with carry forward	\$900
	Since 2007	Yearly maximum payable with carry forward	\$1,100

Note: Unused Additional CESG amounts cannot be carried forward to future years.

4. Lifetime CESG Limits



Key Concept

The maximum lifetime CESG limit is \$7,200 per beneficiary.
The sum of Basic and Additional CESG payments cannot exceed this limit.

If a subscriber opens an RESP for a child in the year the child is born and deposits \$2,000 annually until the end of the year in which the child turns 17, the contributions may be eligible for the maximum lifetime CESG of \$7,200.

For example:

\$2,000	x	18 years	=	\$36,000 (Contributions)
\$400	x	18 years	=	\$7,200 (CESG) (20% of \$36,000)

Once a beneficiary has received the lifetime CESG limit amount of \$7,200, contributions will no longer be eligible to receive Grant. By qualifying for and receiving the Additional CESG, a beneficiary will reach the lifetime CESG limit of \$7,200 sooner with fewer and smaller contributions.

5. Calculating the Basic CESG



Calculation

Basic CESG Formula

Qualifying Contributions x 20% = Basic CESG Amount

The amount of Basic CESG paid into an RESP depends on the accumulated grant room available for the beneficiary.

The following example illustrates the situation in which 20% of the Qualifying Contributions is exactly equal to the annual amount of grant room, resulting in no carry forward of unused grant room. This limits the contribution that could qualify for Basic CESG to:

- \$2,000 per year per beneficiary prior to 2007, **or**
- \$2,500 per year per beneficiary after 2006.

Example 1:

Year	Age of Beneficiary	Annual Amount Added to Grant Room	Qualifying Contribution	Assisted Contributions*	Basic CESG Paid
2005	Born	\$400	\$2,000	\$2,000	\$400
2006	1	\$400	\$2,000	\$2,000	\$400
2007	2	\$500	\$2,500	\$2,500	\$500
Sub-Totals:			\$6,500	\$6,500	\$1,300

* Once Qualifying Contributions have attracted grant they become **Assisted Contributions**.

In example 1 (on the previous page), the Assisted Contributions are the same as the Qualifying Contributions because 20% of the Qualifying Contributions equaled the exact annual amount added to the grant. There was \$6,500 of Qualifying Contributions over 3 years, which attracted \$1,300 of grant. The formula for determining the amount of Basic CESG would be as follows:

$$\text{\$6,500 (Assisted Contributions)} \times 20\% = \text{\$1,300}$$

Note: This example assumes that the beneficiary has only one RESP. If more than one RESP has been opened for this beneficiary, it could affect the results of the calculation. See **9.1 Order of Payments** later in this chapter.

Year	Age of Beneficiary	Annual Amount Added to Grant Room	Qualifying Contributions	Assisted Contributions*	Basic CESG Paid
2005	Born	\$400	\$2,000	\$2,000	\$400
2006	1	\$400	\$2,000	\$2,000	\$400
2007	2	\$500	\$3,000	\$2,500	\$500
2008	3	\$500	\$4,000	\$2,500	\$500
Sub-Totals:			\$11,000	\$9,000	\$1,800

* Once Qualifying Contributions have attracted Grant they become **Assisted Contributions**.

In 2007 and 2008, the Assisted Contributions were less than the Qualifying Contributions, as 20% of the Qualifying Contributions exceeded the grant room for those years.

Even though \$11,000 in contributions was made, there are only \$9,000 of Assisted Contributions over the 4 years. The calculation for determining the amount of Basic CESG would be as follows:

$$\text{\$9,000 (Assisted Contributions)} \times 20\% = \text{\$1,800}$$

Note: This example assumes that the beneficiary has only one RESP. If more than one RESP has been opened for this beneficiary, it could affect the results of the calculation. See **9.1 Order of Payments** later in this chapter.

6. Calculating the Basic and Additional CESG

There are a number of steps involved in calculating both the Basic and the Additional CESG. The formula for calculating the Basic CESG portion remains unchanged. It is:



Calculation

Basic CESG Formula

$$\text{Qualifying Contributions} \times 20\% = \text{Basic CESG Amount}$$

The amount of annual Basic CESG payable is limited to the lesser of the following two amounts:

- accumulated grant room available for the beneficiary
- Basic CESG annual limit

For information about accumulated grant room, see **3. Annual CESG Limits and Grant Room**, later in this chapter.

Period	Basic CESG Annual Limit	Contribution Required for Basic CESG Annual Limit
1998 to 2006	\$800 (20% of \$4,000)	\$4,000
Since 2007	\$1,000 (20% of \$5,000)	\$5,000

To calculate the Additional CESG amount, the CESP system must first confirm the beneficiary's eligibility for the 10% or 20% Additional CESG, based on the adjusted family net income of the beneficiary's PCG. The adjusted family net income levels and corresponding rates of Additional CESG are as follows:

PCG Adjusted Family Net Income (2014 income levels; indexed annually)	Additional CESG Rate
\$43,953 or less	20%
More than \$43,953 but not more than \$87,907	10%
More than \$87,907	Beneficiary is not eligible

The Additional CESG rate of 10% or 20% is paid only on the first \$500 (or less) of Annual Contributions. The formula is as follows:



Calculation

Additional CESG Formula

$$\begin{array}{l} \text{Qualifying Contributions} \\ \text{(first \$500 or less)} \end{array} \times \begin{array}{l} \% \\ \text{Additional} \end{array} = \begin{array}{l} \text{Additional CESG} \\ \text{Amount} \end{array}$$

A decision to pay Additional CESG is made annually on income information applicable at that time. Consequently, rights to Additional CESG amounts **cannot be carried forward** for use in future years. Grant room is not affected by Additional CESG payments made to an RESP in respect of a beneficiary. See **3. Annual CESG Limits and Grant Room**, earlier in this chapter.

In the following example, the entire annual amount added to grant room is used each year, thereby limiting the qualifying contributions for the Basic CESG to \$2,000 (in 2005 and 2006) or \$2,500 (in 2007).

This example shows amounts for annual contributions and also lists the qualifying contributions separately for Basic CESG and Additional CESG. These values are then used to calculate the amounts paid for Basic CESG and Additional CESG.

Example :

Adjusted family net income: \$32,000 **Qualifies for:** Basic CESG + 20% Additional CESG

Year	Age of Beneficiary	Annual Amount Added to Grant Room	Annual Contributions	Qualifying Contributions*		Basic CESG Paid	Additional CESG Paid	Total CESG Paid
				Basic	Additional			
2005	Born	\$400	\$2,000	\$2,000	\$500	\$400	\$100	\$500
2006	1	\$400	\$2,000	\$2,000	\$500	\$400	\$100	\$500
2007	2	\$500	\$3,000	\$2,500	\$500	\$500	\$100	\$600
Sub-Totals:			\$7,000	\$6,500	\$1,500	\$1,300	\$300	\$1,600
Total in RESP:			\$8,600 (\$7,000 Contributions + \$1,600 CESG)					

* Once Qualifying Contributions have attracted Grant they become **Assisted Contributions**.

Based on the above example, the CESG amount paid out over the three years can be determined using the following calculations:

Basic CESG			
\$6,500 (Qualifying Contributions)	x 20%	=	\$1,300

And

20% Additional CESG			
\$1,500 (Qualifying Contributions)	x 20%	=	\$300

Total CESG (Basic + Additional)

$$\text{\$1,300 (Basic CESG)} + \text{\$300 (Additional CESG)} = \text{\$1,600}$$

If the PCG's adjusted family net income changes, future eligibility for Additional CESG may be affected, but the methods and formulas used to calculate the total CESG to be paid remains the same.

7. Calculating Grant Room and Carry Forward

As of 1998, grant room (unused Basic CESG amounts) accumulates for a child until the end of the year in which he/she turns 17, even if he/she is not a beneficiary of an RESP. Unused Basic CESG amounts for the current year are carried forward for possible use in future years, provided the beneficiary remains eligible.

- **1998 to 2006:** \$400 was added annually to the grant room for each eligible child since 1998 (or since birth if the child was born after 1998).
- **Since 2007:** \$500 is added annually to the grant room for each eligible child since 2007 (or since birth if the child was born after 2007).

When calculating the amount of grant room that can be carried forward from the current year to the next, the amount of Basic CESG received in the current year is subtracted from the accumulated grant room. The formula for calculating the amount of grant room that can be carried forward to the following year could be expressed as follows:



Calculation

Carry Forward Formula

Carry Forward	=	Accumulated Grant Room	–	Basic CESG Paid
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For example...

A child is born in 2005. The parents open an RESP and make \$1,000 in contributions in respect of this child in 2005. If there were no other contributions made for this child, how much grant room would the child have in 2006?

Grant room in 2005	=	\$400
Grant room used in 2005	=	\$200 (20% of \$1,000 in contributions)
Grant room carried forward	=	\$400 – \$200 = \$200 carried forward to 2006

In 2006, the child would have an accumulated grant room of:

\$200 Carry Forward + \$400 Amount Added in 2006 = **\$600 Accumulated Grant Room**



Key Concept

Additional CESG payments made in respect of a beneficiary are not subtracted from the beneficiary's accumulated grant room.

Additional CESG is never carried forward. If an RESP is receiving additional CESG in respect of a beneficiary, it is calculated using adjusted family net income from a specific year and cannot be carried forward as it pertains to that specific year. Additional CESG has no impact on the accumulated grant room.

The first \$2,500 in contributions made in a given year will attract the grant for that year. Any contribution on and above that amount and not exceeding \$5,000, will be able to attract some or all the beneficiary's accumulated grant room.

Consider the following grant room and carry forward example over a 12 year period for a child born in 2005. The subscriber could catch up on four years of unused grant room between 2005 to 2008 (when contributions were not made) by making annual contributions that exceed \$2,500 from 2009 to 2014.

For example...					
Carry Forward of Basic CESG – Child is born in 2005 and has only one RESP					
Year	Annual Amount Added to Grant Room	Accumulated Grant Room	RESP Contributions	Basic CESG Paid to RESP	CESG Carry Forward
2005	\$400	\$400 (0 + \$400)	\$0	\$0	\$400
2006	\$400	\$800 (\$400 + \$400)	\$0	\$0	\$800
2007	\$500	\$1,300 (\$800 + \$500)	\$0	\$0	\$1,300
2008	\$500	\$1,800 (\$1,300 + \$500)	\$0	\$0	\$1,800
<i>Child's parents enter into an RESP in 2009 and name child as beneficiary</i>					
2009	\$500	\$2,300 (\$1,800 + \$500)	\$3,000 (Assisted)	\$600	\$1,700 (\$2,300 – \$600)
2010	\$500	\$2,200 (\$1,700 + \$500)	\$3,000 (Assisted)	\$600	\$1,600 (\$2,200 – \$600)
2011	\$500	\$2,100 (\$1,600 + \$500)	\$3,000 (Assisted)	\$600	\$1,500 (\$2,100 – \$600)
2012	\$500	\$2,000 (\$1,500 + \$500)	\$5,000 (Assisted)	\$1000	\$1,000 (\$2,000 – \$1000)
2013	\$500	\$1,500 (\$1000 + \$500)	\$5,000 (Assisted)	\$1000	\$500 (\$1,500 – \$1000)
2014	\$500	\$1000 (\$500 + \$500)	\$5,000 (Assisted)	\$1000	\$0 (\$1000 – \$1000)
2015	\$500	\$500 (\$0 + \$500)	\$2,500 (Assisted)	\$500	\$0 (\$500 – \$500)
2016	\$500	\$500 (\$0 + \$500)	\$2,500 (Assisted)	\$500	\$0 (\$500 – \$500)

If a beneficiary qualifies for the Additional CESG rate of 10% or 20%, it is paid on the first \$500 of RESP contributions in the given year. Because the Additional CESG rate is dependent on the PCG's adjusted family net income assessments, any unused Additional grant room **cannot** be carried forward to subsequent years.

Further, Additional CESG amounts paid to a beneficiary do not affect the amount of grant room that can be carried forward. **Only Basic CESG is used to determine carry forward and grant room amounts.**

The following example illustrates grant room and carry forward when both Basic and Additional CESG are involved.

For example ...								
Carry Forward with Basic and Additional CESG – Child Born in 2005								
<i>Carry Forward = Accumulated Grant Room – Basic CESG paid</i>								
Year	Amount Added to Grant Room	Accumulated Grant Room	RESP Contribution	Adjusted Family Net Income	Basic CESG Paid	Additional CESG Rate	Additional CESG Paid	Carry Forward
2005	\$400	\$400 (\$0 + \$400)	\$200	\$32,000	\$40 (20% x \$200)	20%	\$40 (20% x \$200)	\$360 (\$400 – \$40)
2006	\$400	\$760 (\$360 + \$400)	\$300	\$31,000	\$60 (20% x \$300)	20%	\$60 (20% x \$300)	\$700 (\$760 – \$60)
2007	\$500	\$1,200 (\$700 + \$500)	\$400	\$45,000	\$80 (20% x \$400)	10%	\$40 (10% x \$400)	\$1,120 (\$1,200 – \$80)
2008	\$500	\$1,620 (\$1,120 + \$500)	\$2,000	\$52,000	\$400 (20% x \$2,000)	10%	\$50 (10% x \$500)	\$1,220 (\$1,620 – \$400)
2009	\$500	\$1,720 (\$1,220 + \$500)	\$3,000	\$91,000	\$600 (20% x \$3,000)	N/A	\$0	\$1,120 (\$1,720 – \$600)
2010	\$500	\$1,620 (\$1,120 + \$500)	\$5,000	\$93,000	\$1,000 (20% x \$5,000)	N/A	\$0	\$620 (\$1,620 – \$1,000)
2011	\$500	\$1,120 (\$620 + \$500)	\$5,000	\$95,000	\$1,000 (20% x \$5,000)	N/A	\$0	\$120 (\$1,120 – \$1,000)
2012	\$500	\$620 (\$120 + \$500)	\$3,000	\$98,000	\$600 (20% x \$3,000)	N/A	\$0	\$20 (\$620 – \$600)
2013	\$500	\$520 (\$20 + \$500)	\$2,600	\$99,000	\$520 (20% x \$2,600)	N/A	\$0	\$0 (\$520 – \$520)

Although the contributions made from 2005 to 2008 qualified for both the Basic and Additional CESG amounts, the Carry Forward calculation is solely dependant on the Basic CESG amounts.

7.1. Grant Room and Family Residency



Key Concept

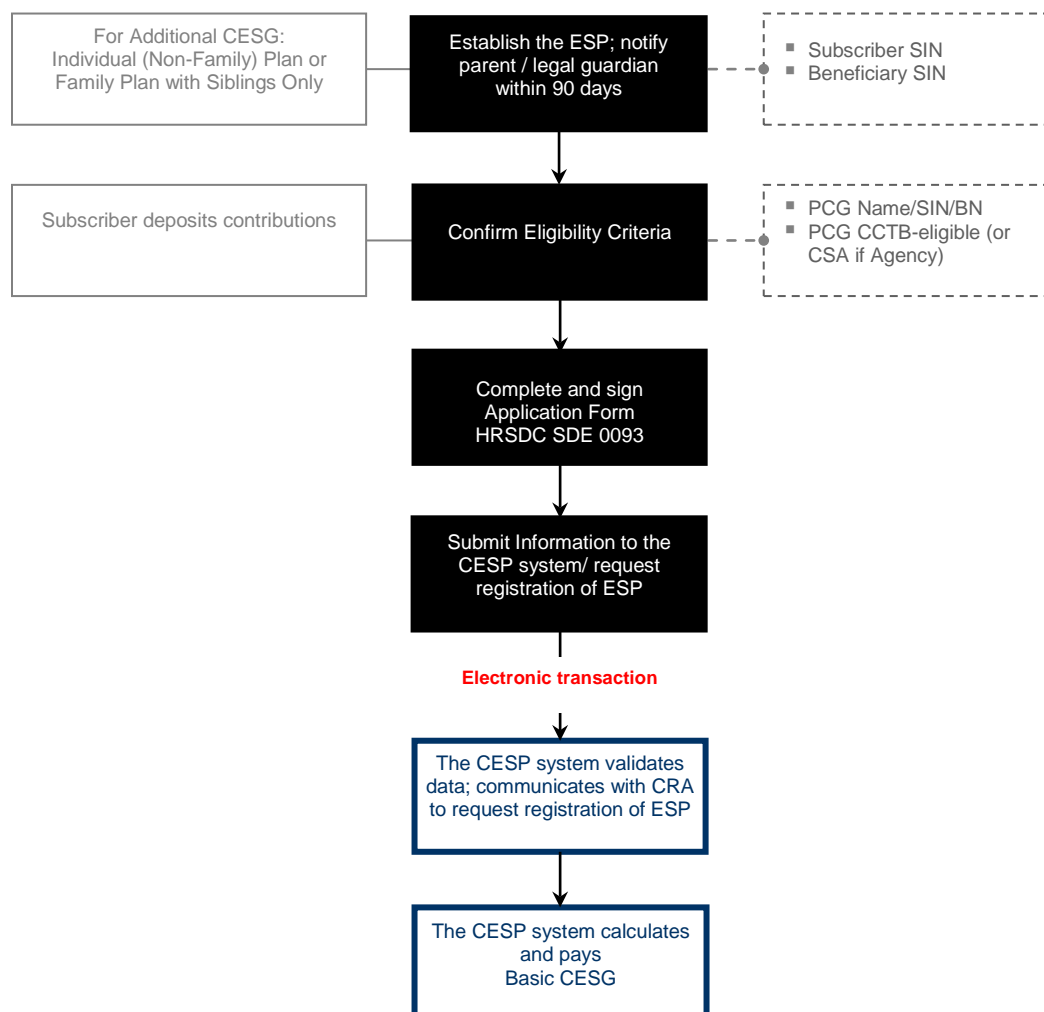
If a family moves out of Canada, they may not be considered Canadian residents for the time that they are out of the country. In this case, the children will not accumulate grant room during the period that the family does not meet residency requirements. The subscriber must inform the RESP promoter of the change in the beneficiary's residency status. In turn, the promoter may no longer accept RESP contributions nor request CESG for the beneficiary.

If the beneficiary's parents are with a diplomatic mission or in the Canadian Armed Forces, the family members are still considered to be Canadian residents. The children are, therefore, eligible for the CESG and will accumulate grant room.

In order to determine residency status, contact International Tax Services Office, CRA, at 1-800-267-5177.

8. Applying for the Basic and Additional CESG

The following illustration provides an overview of the **application process for the Basic and Additional CESG**.



8.1. The Application Process – Basic and Additional CESG

Who is involved?

The process of applying for the Basic and Additional CESG includes the participation of the following individuals:

- RESP promoter
- subscriber(s)
- custodial parent or legal guardian
- PCG (for Additional CESG)

The RESP promoter facilitates the CESG application process by:

- establishing and requesting registration of an Education Savings Plan (ESP) (initiated by the subscriber);
- helping the subscriber to determine whether the beneficiary qualifies for the CESG (either the Basic CESG or both the Basic and Additional CESG) by informing them of the eligibility criteria; and
- assisting the subscriber to complete the appropriate CESG application form.

Note: The RESP promoter must be authorized to offer both the Basic and Additional CESG.

The following provides a step-by-step overview of the application process.

Subscriber:

1. The subscriber approaches an RESP promoter authorized to offer the Basic and Additional CESG with the intent of opening and registering an ESP and naming a beneficiary.

RESP Promoter:

2. The promoter establishes the ESP, making sure to obtain the SIN for:
 - the subscriber; and
 - the beneficiary.

Note: If the subscriber is applying for the Additional CESG, the plan must be an individual (non-family) plan or a family plan in which all beneficiaries are siblings.

Opening and registering the ESP

The RESP promoter must notify the parent or legal guardian that an ESP has been opened for the beneficiary within 90 days of establishing the plan. The CESP system is responsible for communicating to CRA the request to register the ESP. Once the plan has been registered, CRA will notify the RESP promoter directly. For more information, see **Chapter 1-4: Registered Education Savings Plans (RESPs), 2. Establishing the RESP**.

3. The promoter reviews the eligibility criteria with the subscriber to identify whether the beneficiary qualifies for the Basic CESG or both the Basic and Additional CESG. See **2. Eligibility Criteria**, earlier in this chapter. (See box below regarding PCG Information).

PCG Information

If applying for the Additional CESG amounts, make sure to obtain the PCG's SIN or BN.

The PCG is the individual who receives the CCTB payment each month. This is usually the child's mother, but could also be a department, agency, or institution that receives a payment for the child under the CSAA.

4. The promoter ensures the HRSDC SDE 0093 application form is completed and obtains the necessary signatures.

Note: Maintain the original signed application form according to established record keeping procedures.

To view detailed instructions for completing the form(s), see **Appendix A: Application Forms – Education Savings Incentives**.

Accurate information ensures payment of the CESG

When completing the CESG application form, it is important to verify the accuracy of all information. The information on the application form is used to electronically submit the request to the CESP system. Inaccurate information will result in the transaction being returned delaying the payment of the CESG. For more information, see **Chapter 1–3: The CESP System and Interface Transaction Standards (ITS)**.

Subscriber:

5. The subscriber deposits contribution(s) to the RESP.

RESP contributions are required to qualify for the Basic CESG and for the Additional CESG.

Note: Special conditions apply to contributions for 16 and 17 year olds. See **2. Eligibility Criteria**, earlier in this chapter.



Key Concept

RESP Contribution Limits per Beneficiary

The RESP promoter can take this opportunity to remind the subscriber of RESP contribution limits in respect of each beneficiary:

1998 to 2006:	Annual RESP Contribution Limit	\$4,000
	Lifetime RESP Contribution Limit	\$42,000
Since 2007:	Annual RESP Contribution Limit	No limit
	Lifetime RESP Contribution Limit	\$50,000

RESP Promoter:

6. The promoter processes the application form according to established procedures (see box below).



Technical
Info

What Happens to Information Collected on the Application Form?

The information supplied by the subscriber is collected by the RESP promoter's information system. This information is submitted electronically to the CESP system in order to request registration of the ESP and to request the CESG. See **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS), 4. Submitting Information to CESP.**

Use the **Post-Application Checklist** (below) to provide the subscriber with some helpful reminders.

8.2. Post-Application Checklist

- ☐ Confirm all information has been accurately recorded onto the appropriate CESG application form.

**Accurate information ensures timely payment of the CESG.
Inaccurate information will result in a delayed payment.**

- ☐ Remind subscribers of RESP contribution limits, informing them of the need to coordinate contributions if they are aware of other RESPs that have been established for the beneficiary.

This will ensure they avoid overcontributions and potential penalty taxes.

- ☐ Remind the subscriber that more than one RESP can be established for a beneficiary and that this could result in the CESP system receiving multiple requests for the CESG in respect of the beneficiary.

If two (or more) requests for the CESG are submitted for the same beneficiary, the CESG will be paid to the first request submitted and successfully processed by the CESP system.

For more information, refer to the next section in this chapter,
9.1 Order of Payments.

- ☐ If the subscriber is not the beneficiary's parent or legal guardian, advise the subscriber that the RESP promoter must notify the parent or legal guardian within 90 days that an ESP has been opened.
- ☐ Advise subscribers that they will be notified by the RESP promoter once the ESP has been registered with CRA.
- ☐ Advise subscribers that they will be notified by the RESP promoter of the CESG payment.

8.3. Correcting PCG Information

Eligibility for the Additional CESG is based on the adjusted family net income of the beneficiary's PCG. Therefore, information about the PCG must accompany any requests for the Additional CESG. Any changes or corrections to PCG information must be submitted to the CESP system.

Rather than reversing and re-submitting the initial RT 400 financial transaction which originally did not include PCG information or included incorrect PCG information, the CESP system will accept corrections via a PCG Information Transaction using Record Type 511, Transaction Type 12 (RT 511-12).

The RT 511-12 can be used in the following situations:

- **For RESP contributions made on or after January 1, 2005, to provide PCG information not reported on the original RT 400-11.**

When the RT 511-12 is received, the CESP system will re-process the original transaction.

- **For transactions made on or after July 1, 2005, to provide missing PCG information or to replace inaccurate PCG data originally reported in the RT 400-11.**

Without the correct PCG information, the beneficiary would be prevented from receiving the Additional CESG amounts. Upon receipt of the RT 511-12, the original contribution transaction will be re-processed with the 'new' information.

For more information, refer to ESDC's ITS, available on the ESDC web site.

9. Receiving and Depositing the CESG



Key Concept

The CESP system will acknowledge receipt of the request for the CESG by sending an RT 900 Transaction Processing Report to the RESP promoter. If the transaction request was successfully processed, this report will indicate the amount of CESG to be paid.

Note: In some cases, this record may notify the RESP promoter that payment of the CESG is being refused or that a repayment is required. See **9.3 Reasons for Non-Payment of the CESG** and **10. Repaying the CESG**, later in this chapter.

Once the **RESP promoters** receive the CESG payment, they will:

1. Deposit the CESG payment into the RESP in respect of the beneficiary.

The RESP promoter tracks and manages transactions within the various accounts. Therefore, the grant payment will be 'deposited' to the CESG **RESP account**.

2. Notify the subscriber (via account statements) that the CESG has been deposited into the RESP.

9.1. Order of Payments

Since a child can be a beneficiary of more than one RESP at a given time, the CESP system responds to requests for the CESG on a first-come, first-served basis.

Therefore, when multiple grant requests for the same beneficiary are successfully submitted for the same monthly *reporting period*, the CESG will be paid for the request with the earliest transaction date.

If more than one grant request has the same contribution date, the CESG will be pro-rated across all successfully processed requests.

9.2. Sharing the CESG and Earnings – Family and Group Plans

The Basic and Additional CESG and earnings can be used in an EAP by any eligible beneficiary of the RESP, as long as the beneficiaries meet the requirements for the EAP.

However, the **existence of any Additional CESG in the RESP** will place restrictions on who can be named as a beneficiary of the plan and who can share those Additional amounts and associated earnings. For the plan to have received Additional CESG amounts, all the beneficiaries of a family plan had to have been siblings. With the introduction of the Additional CESG incentive authorized by the *Canada Education Savings Act* (CESA), the CESG and earnings can no longer be shared among beneficiaries in a group plan, regardless of whether or not the plan received Basic or Additional CESG.

Forfeited CESG and Earnings on the CESG in Group Plans

The CESA and new regulations stipulate:

“CESG amounts and the earnings generated on them may only be shared among the beneficiaries of the RESP.”

The term “RESP” used in Section 18(1) of the Regulations refers only to the individual contract itself and not the group RESPs under the same specimen plan.

As a result, forfeited CESG and forfeited earnings on the CESG can no longer be redistributed amongst group RESP cohorts after July 1, 2005.

While any forfeited CESG amounts must be repaid to the government of Canada, forfeited earnings can be managed in one of the following ways:

- as an Accumulated Income Payment (AIP)
- as a payment to a designated educational institution.

For more information about these options, see **Chapter 3-3: Options for Assets Remaining in the RESP.**

9.3. Reasons for Non-Payment of the CESG

In order to ensure that beneficiaries receive the CESG to which they are entitled, the RESP promoter must:

- accurately complete the appropriate CESG application form.
See **Appendix A: Application Forms – Education Savings Incentives**
- submit the information collected on the form, along with other required data, to the CESP system via an electronic transaction. This transaction must pass all formatting and business rules validation according to the ITS.

For more information about the types of reports that are sent to and received from the CESP system, see **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)**.

The CESP system will acknowledge a successfully processed transaction by sending the RESP promoter a RT 900 report that will include the amount of CESG to be paid.

There are also situations when this report will specify reasons for non-payment of the CESG.

Non-payment will occur when a transaction is either **rejected** or **refused**.

9.3.1. When Transactions are Rejected

If a submitted transaction contains an error (e.g. in the format of the transaction), it will be rejected pending the receipt of corrected information.

An Error Report (RT 800) will be sent to the RESP promoter's Head Office staff responsible for sending and receiving CESP system transactions to make the necessary corrections. (See the box **Submitting a correction to the CESP system**, below).

9.3.2. When Payments are Refused

If due to non-compliance with the business rules associated with the CESG (e.g. contributions for 16 or 17 year olds), payment may be refused. The RESP promoter will receive notification via the RT 900 Transaction Processing Report. The RESP promoter should contact the subscriber to confirm eligibility criteria.

In some cases, payment of the CESG may be refused for other reasons; for example all grant room for that beneficiary has been utilized. See **3. Annual CESG Limits and Grant Room** earlier in this chapter. For more information about other refusal reasons, refer to the ITS, available on the ESDC Web site.

Transaction ID

Unique identifier assigned to each transaction by the RESP promoter.



Technical Info

Submitting a correction to the CESP system

To submit a correction to a financial transaction (RT 400), the Sender (RESP promoter) must first submit a reversal transaction followed by a transaction with the corrected information.

Reversals indicate that the transaction did not actually occur as reported.

The reversal transaction must always reference the financial transaction being reversed by providing the RESP promoter's BN and the original **Transaction ID**.

Once the CESP system matches the original and reversal transactions, the incorrect information is 'cancelled'.

Senders can then submit the new RT 400 transaction with the corrected information.

Corrections to PCG information may also be submitted using the RT 511 transaction. See **8.3 Correcting PCG Information**, earlier in this chapter.

For more information, see **Chapter 1-3: The CESP System and Interface Transactions Standards (ITS)** or refer to ESDC's ITS, available on the ESDC Web site.

9.4. Condition for Payment of the CESG – Three-Year Rule

As of January 1, 2005, any requests for the CESG must be submitted and successfully processed **within three years of the original transaction date**.

This condition ensures that eligible children receive the CESG within a reasonable timeframe and that payments are not delayed due to administrative issues.

This three-year rule also applies to correcting financial transactions. If the RESP promoter submits incorrect information or makes a formatting error in the financial transaction, they must correct and re-submit that transaction within three-years of the original transaction date.

For example...

On July 14, 2006, due to a keying error on the part of the RESP promoter, the contribution transaction did not include a request for the CESG.

The CESP system will return a RT 900 in the Transaction Processing Report, notifying the RESP promoter that Grant was not paid because it was not requested.

To obtain CESG on this contribution, the RESP promoter must reverse the original transaction (that requested no Grant) and resubmit a new transaction with the Grant Requested Flag set to "Yes". The new transaction must be successfully processed by the CESP system within three years of the July 14, 2006, transaction date, specifically July 14, 2009.

If the RESP promoter fails to successfully submit or correct the transaction within the three-year period, the CESP system will process the transaction but will not pay the CESG.

10. Repaying the CESG

Certain circumstances will require a repayment of the CESG to the Government of Canada. These fall under one of two categories (or types), as follows:

- **withdrawal of assisted contributions**
(the most common repayment transaction)
- **other repayment circumstances**

The type of circumstance will determine the method used to calculate the amount of CESG that must be repaid.

Repayment Consequences

Repayment of the CESG will result in loss of the beneficiary's grant room, which will not be restored. For more information, see **3. Annual CESG Limits and Grant Room** earlier in this chapter.

10.1. The Repayment Process

Regarding repayment of the CESG, the RESP promoter must:

1. recognize and identify the transactions that will result in a CESG repayment;
2. determine the amount of CESG repayment; and
3. submit the required financial transaction(s) to the CESP system, indicating the amount of and reason for the repayment. See **10.6 Submitting Repayment Information to the CESP system**, later in this chapter.

10.2. Withdrawal of Assisted Contributions

The CESG was introduced as a contribution-based incentive to encourage parents to save for their child's post-secondary education. Consequently, there are specific rules that govern the withdrawal of contributions from an RESP.

10.2.1. Order of Contribution Withdrawals

When a subscriber withdraws contributions from an RESP, they will be withdrawn in the following order:

1. assisted contributions – 1998 and after
2. unassisted contributions – 1998 and after
3. unassisted contributions – pre-1998

A subscriber can only withdraw contributions from an RESP, without having to repay the CESG, if the withdrawal is:

- to correct an overcontribution less than \$4000; or
- because a beneficiary of the plan is eligible to receive an EAP.

In any other instance, the withdrawal of assisted contributions will require a repayment of the CESG.

Withdrawals to correct an Overcontribution

When an overcontribution exists, the subscriber(s) must correct the situation in order to adhere to annual and lifetime limits. Under normal circumstances, a withdrawal of contributions will require a repayment of the CESG. However, if the withdrawal is to correct an overcontribution (**and the amount of the overcontribution at the time of the withdrawal is \$4,000 or less**), then the CESG will not have to be repaid.

The subscriber is required to complete and provide the RESP promoter with the following form: *Subscriber Statement for an RESP Overcontribution Withdrawal of \$4,000 or Less*. See **Appendix D: Forms Index – Education Savings Incentives**. This document must be kept with the customer's file; it represents a record as to why the RESP promoter did not submit a CESG repayment amount when a withdrawal of contributions occurred.

For more information, see **Chapter 1-4: Registered Education Savings Plans (RESPs), 5. Overcontributions**.

10.2.2. Calculating the CESG Repayment – Withdrawal of Assisted Contributions

With the introduction of the CESA and its related regulations, the percentage of the repayment will vary depending on:

- the amount of the withdrawal;
- the amount of assisted contributions; and
- the amount of CESG received.

The following formula is used to calculate the CESG repayment amount **when assisted contributions are withdrawn**. This amount will be the lesser of:



Calculation

1) The amount calculated using the formula $A / B \times C$ where:

- A** = balance in the CESG account of the RESP immediately before the withdrawal of assisted contributions
- B** = balance of the total assisted contributions in the RESP immediately before the withdrawal of assisted contributions
- C** = amount of the assisted contributions withdrawal

OR

2) The balance in the CESG account of the RESP immediately before the withdrawal of assisted contributions (represented by “A” in the formula).

To determine the amount of CESG to be repaid, the RESP promoter must determine the amounts represented by “A”, “B” and “C” and calculate the results. Consider an example involving both the Basic and Additional CESG:

For example ...							
Year	Age of Beneficiary	Assisted Contributions	Basic CESG Paid	Additional CESG Rate	Additional CESG Paid	Total CESG	Contributions Withdrawn
2005	Born	\$2,000	\$400	20% (of first \$500)	\$100	\$500	
2006	1	\$2,000	\$400	20% (of first \$500)	\$100	\$500	\$800
Totals:		\$4,000	\$800		\$200	\$1,000	\$800

The formula values for **A / B x C** are:

Order of Contribution Withdrawals RESP contributions are first withdrawn from assisted contributions.	A =	\$1,000	Balance in the CESG account of the RESP immediately before the withdrawal of assisted contributions
	B =	\$4,000	Balance of the total assisted contributions in the RESP immediately before the withdrawal of assisted contributions
	C =	\$800	Amount of the assisted contributions withdrawal

Based on the previous example, the following amounts can be populated:

1) The amount calculated using the formula **A / B x C**:

$$\text{\$1,000} / \text{\$4,000} \times 800 = \text{\$200}$$

OR

2) The balance in the CESG account of the RESP immediately before the withdrawal of assisted contributions (represented by “A” in the formula):

$$\text{\$1,000}$$

The result of the formula **A / B x C**, which is **\$200**, is the lesser of the two amounts and the amount of CESG that must be repaid.

Furthermore, the beneficiary will be ineligible to receive the Additional CESG under **any** RESP for the remainder of 2006 as well as for the following two calendar years. See **10.3 Withdrawing Contributions after March 22, 2004** below.

10.3. Withdrawing Contributions after March 22, 2004

The withdrawal of assisted contributions from an RESP after March 22, 2004, will result in a beneficiary of the RESP from which the withdrawal occurred, being ineligible to receive the **Additional CESG** rates for the balance of that calendar year and for the next two calendar years.

This rule is administered across all plans. Therefore, situations will arise when a contribution withdrawal has occurred on one plan that effectively makes a beneficiary ineligible for any Additional CESG on **all** plans.

There are, however, exceptions to this rule. The beneficiary will not lose eligibility for the Additional CESG if:

- the withdrawal of contributions occurs when a beneficiary is eligible for an EAP;
- the withdrawal is an eligible transfer; or
- the withdrawal is to correct an over-contribution of less than \$4,000 (across all RESPs) at the time of the withdrawal.

If a withdrawal is made from a family plan with multiple beneficiaries and not covered by these exceptions, all of the beneficiaries of the plan will be considered ineligible, including all other RESPs where they are named as beneficiaries.

10.4. Withdrawing Pre-1998 Contributions

Since the CESP was introduced in 1998, RESP contributions made prior to that year did not qualify for the CESG. Therefore, the CESG was not paid on pre-1998 contributions.

RESP contributions made before 1998 cannot be withdrawn and then re-contributed to the same or another RESP (for the same beneficiary) with the intention of receiving the CESG.

Consequences of Withdrawing Pre-1998 Contributions

As explained earlier in this chapter, a certain order must be followed when withdrawing RESP contributions. A withdrawal of pre-1998 contributions will cause **all** beneficiaries under the plan to be ineligible for the CESG (under any plan):

- in the calendar year in which the withdrawal was made;
and
- for the following two calendar years.

10.5. Other Repayment Circumstances

In addition to the withdrawal of assisted contributions, there are a number of other circumstances in which the CESG must be repaid.

The RESP promoter must also repay the CESG in an RESP when:

- The RESP is terminated.
- The registration for the RESP is revoked.
- An AIP is made.
- A payment to a designated educational institution is made.
- An EAP is made to an individual who is not a beneficiary of the RESP.
- An ineligible transfer occurs.
- An ineligible beneficiary replacement occurs.
- A beneficiary, who is not a sibling, is added to a sibling-only RESP after Additional CESG has been paid into this RESP.

Promoters initiate a CESG repayment from an RESP by submitting a transaction to the CESP system, indicating the amount of CESG to repay and the repayment reason. The CESP system makes monthly direct deposits for each promoter, which includes all incentive payments made for all successfully processed transactions submitted by the promoter in the previous month. All repayment amounts for the previous month are subtracted from the amount that would normally be paid to promoters in their next direct deposit. See also **10.6. Submitting Repayment Information to the CESP system** later in this chapter.

Beneficiaries may also be asked to return CESG amounts paid in EAPs

Beneficiaries are allowed to receive a lifetime EAP limit of \$7,200 in CESG. They must also be residents of Canada to receive CESG amounts in an EAP.

If it is determined that they were not entitled to receive CESG amounts in some of their EAPs, beneficiaries may receive a Notice of Debt for these amounts, with repayment instructions.

Promoters would not submit transactions to the CESP system in these cases because the beneficiaries pay this debt directly to the Government of Canada. However, there may be situations in which a beneficiary could avoid having to pay this debt. Promoters can contact their CESP Promoter Support Officer for additional information.

10.5.1. Calculating the Repayment Amount – Other Circumstances

If the promoter repays CESG from an RESP for any of the above reasons, the amount to repay is equal to the lesser of:

- the total in the CESG account immediately before the occurrence; and
- the fair market value of the **property** held in the RESP, immediately **before** the occurrence.

10.6. Submitting Repayment Information to the CESP system

Financial transactions (Record Type 400) are used to record the movement of funds into or out of the RESP (with the exception of earnings). A repayment of the CESG (or any other incentive) is considered a financial transaction.

When submitting repayment information to the CESP system, the RESP promoter will submit the following transaction to the CESP system:

- RT 400, Transaction Type 21 (Grant repayment)

In addition, the transaction will identify the Repayment Reason, with one of the following codes:

- 01 Contribution withdrawal
- 02 AIP (Accumulated Income Payment)
- 03 Contract termination
- 04 Ineligible transfer
- 05 Ineligible beneficiary replacement
- 06 Payment to an educational institution
- 07 Revocation (of plan)
- 08 Ceases to meet Sibling-Only condition
- 09 Deceased (beneficiary)
- 10 Overcontribution withdrawal
- 11 Other

In all repayment transactions, RESP promoters must report only the amount of incentive being repaid to the government of Canada. For more detailed information about how transactions are processed between the RESP promoter and the CESP system, see **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)**.

10.7. How Funds are Used to Repay the CESG

The repayment transactions submitted to the CESP system will depend on whether or not there are sufficient funds in the RESP at the time repayment is required.

10.7.1. When Sufficient Funds Exist in the RESP

If there are sufficient funds in the RESP, the RESP promoter will repay the CESG from the corresponding RESP account. For example:

For example ...

Repayment Reason: The CESG will not be used as an EAP by the beneficiary or other eligible beneficiary and the plan is terminated. The RESP individual (non-family) plan looks like this:

RESP Market Value	Earnings	Contributions	CESG
\$26,829	\$9,229	\$14,000	\$3,600
CESG Repayable:		\$3,600	

Based on the above example, the RESP promoter will withdraw the funds from the RESP and submit the following repayment transaction to the CESP system.

RT 400-21(03) **Grant repayment transaction, reason code (03),**
identifying a contract termination, with **\$3,600** in the
CESG amount field identifying the repayment amount.

When the RESP includes other incentives, a separate calculation is used to determine the amounts repayable. Refer to the related incentive chapters in **Section 2: Education Savings Incentives**.

10.7.2. When Insufficient Funds Exist in the RESP and the Plan is Terminated

When the RESP is terminated, any CESG (or any other incentive) must be repaid.

If the RESP has experienced a loss and there are insufficient funds to cover the total amount of CESG repayable, the RESP promoter must submit a **Termination Adjustment Transaction** to the CESP system to advise them of the shortfall.

Losses are first attributed to earnings, and then to contributions. Once these accounts are depleted, any remaining losses are apportioned equally across the incentive accounts in the RESP.

The following example illustrates how the RESP promoter will determine the amount and repayment transaction that must be submitted to the CESP system when only the CESG has been paid into the RESP.

For example ...

Repayment Reason: The RESP is terminated. The RESP individual (non-family) plan looks like this:

RESP Market Value	Earnings	Contributions	CESG
\$1,000	\$0	\$0	\$1,200
<p>Note: Losses in the plan have been applied to the earnings and then to contributions. Therefore, these accounts show a balance of \$0.</p>			
Total Incentive (CESG) Repayment:		\$1,200	

Based on this example, the CESG repayable (\$1,200) exceeds the market value of the RESP (\$1,000). Therefore, the RESP promoter must repay the lesser amount of \$1,000.

To account for the difference of \$200, the RESP promoter must also send a Termination Adjustment Transaction to inform the CESP system of the shortfall, **but only when the RESP is terminated**.

The following transactions are used to submit this information:

- RT 400-21(03)** **Grant repayment transaction** with a **reason code of (03)**, identifies a contract termination, and **\$1,000** in the CESG amount field identifies the repayment amount.
- RT 400-22** **Termination Adjustment transaction**, identifies \$200 as the amount of the shortfall (market value less than CESG paid into the RESP).

Even if the CESG repayment is \$0, as a result of losses in RESP earnings, contributions, and the CESG, the two transactions above must still be reported to CESP.

When the RESP includes other incentives, a separate calculation is used to determine the amounts repayable. Refer to the related incentive chapters in **Section 2: Education Savings Incentives**.

Note: In most cases, the RESP promoter's financial system will automatically calculate the amount of incentive(s) repayable. However, understanding how to determine the amount to be repaid will help RESP promoters to communicate this information to their clients.

11. Other Transactions Involving the CESG

The RESP promoter may also be asked to handle other transactions involving the CESG. These include:

- Transferring funds (including the CESG) from one RESP to another.

See **Chapter 3-1: RESP Transfers and the Education Savings Incentives.**

- Responding to a request for an EAP and calculating the Grant portion of the EAP.

See **Chapter 3-2: Post-Secondary Education and Educational Assistance Payments (EAPs).**



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http://www.esdc.gc.ca/eng/jobs/student/promoters/user_guide/index.shtml

CESP – RESP Provider User Guide

CHAPTER 2-3

The Canada Learning Bond (CLB)

The Government of Canada introduced the Canada Learning Bond (CLB) in 2004 to provide an education savings incentive for children in modest income families, and for children in care. Employment and Social Development Canada (ESDC) is responsible for the administration and delivery of the education savings incentives. Within ESDC, the Canada Education Savings Program (CESP) provides the delivery mechanism and necessary system supports for the effective administration of the education savings incentives.

Its purpose is to help these families or these public organizations to plan and save for their child's post-secondary education expenses by investing in a Registered Education Savings Plan (RESP).

RESP promoters must be authorized by ESDC to offer CLB or any other education savings incentives.

CLB consists of:

- an initial CLB payment; and
- subsequent CLB payments.

See **Appendix C** for a list of acronyms and terms used in this guide.

In this chapter



CLB

1. The CLB – An Overview.....	2 – 3 – 2
2. Eligibility Criteria	2 – 3 – 2
3. The CLB – How it Works	2 – 3 – 6
4. Applying for the CLB	2 – 3 – 8
5. Receiving and Depositing the CLB	2 – 3 – 12
6. Repaying the CLB.....	2 – 3 – 15
7. Other Transactions Involving the CLB.....	2 – 3 – 20

1. The CLB – An Overview

CLB is an incentive directed to children born on or after January 1, 2004, whose primary caregiver (PCG):

- qualifies for and receives the National Child Benefit Supplement (NCBS); or
- is an agency (public PCG) receiving payments under the *Children's Special Allowances Act* (CSAA) for a **child in care**.

The CESP system tracks CLB for an eligible child as it accumulates until an RESP is designated to receive CLB in their respect.

Although an RESP is required to receive CLB, this incentive is not dependent on RESP contributions. CLB entitlements include:

- an initial CLB payment of \$500 for the first year the beneficiary's PCG qualifies for and receives the NCBS or payments under the *Children's Special Allowances Act*, and
- subsequent CLB payments of \$100 for each year the beneficiary's PCG qualifies for and receives the NCBS or Children's Special Allowance payments, up to and including the year in which the child turns 15.

The maximum lifetime CLB limit is \$2,000. The amount of CLB that a beneficiary receives is dependent on whether or not the PCG receives NCBS. CLB is deposited into an RESP.

2. Eligibility Criteria

- ☐ Is the child a Canadian resident born in 2004 or later?
- ☐ Does the beneficiary have a valid Social Insurance Number (SIN)?
- ☐ Did the child's **individual PCG** receive the NCBS for at least one month of the **benefit year**?

OR

- ☐ Did the public PCG receive payments under the *Children's Special Allowances Act* for a child in care, for at least one month of the benefit year?

*If all of these questions have been answered in the affirmative, the beneficiary may be eligible for **CLB**.*

2.1. The PCG's SIN or Business Number



Key Concept

To apply for CLB, individual PCGs must provide their SIN. **Public PCGs** (responsible for a child in care) must provide their Business Number (BN).

The PCG's SIN or BN allows ESDC to:

- verify the PCG's eligibility for the NCBS or payments under the *Children's Special Allowances Act* with the Canada Revenue Agency (CRA); and
- confirm that the beneficiary is a dependent of the PCG.

Based on this information, entitlement to the CLB is assessed each year.

2.2. The NCBS

The NCBS is a monthly payment issued to modest-income Canadian families with children. It is part of the CCTB, a non-taxable payment designed to help eligible Canadian families with the cost of raising children.

For the purposes of CLB, CRA will identify and confirm those families or PCGs eligible to receive the NCBS starting in 2004.

CRA is responsible for administering the CCTB and the NCBS and confirming the eligibility of families or individuals to receive these benefits, based on an assessment of their net family income for a given taxation year.

ESDC receives and matches CRA's eligibility data via the CESP system to authorize payment of the CLB.

For more information about the NCBS, call 1-800-387-1193 or visit the CRA Web site:

<http://www.cra-arc.gc.ca/bnfts/cctb/menu-eng.html> .

2.3. Payments under the CSAA

Children in the care of an agency (children in care) are also eligible for CLB, based on the agency's entitlement to a payment under the *Children's Special Allowances Act*.

The Children's Special Allowance (CSA) is a tax-free monthly payment for a child who is under the age of 18, who physically resides in Canada, and who is under the care of an agency.

A child in care must still meet all of the eligibility criteria for the CLB in order to receive CLB payments; including the criteria that stipulates a child must have been born on or after January 1, 2004.

2.4. Types of RESPs and the CLB



Key Concept

To receive the initial and subsequent CLB payments for eligible beneficiaries, the RESP must be:

- an individual (non-family) plan; or
- a family plan in which all beneficiaries are siblings.

2.5. PCG Must Designate the RESP for CLB Payments



Key Concept

To receive CLB payments, the beneficiary's PCG must designate the RESP into which CLB payments can be deposited.

This is accomplished during the application process when the PCG consents to the deposit of CLB into a specific RESP.
See **Appendix A: Application Forms – Education Savings Incentives**

2.6. CLB Entitlements, Earnings, and the RESP



Key Concept

No interest will be paid on CLB entitlements that have not been paid into an RESP by the Government of Canada.

Therefore, subscribers and PCGs are encouraged to complete the necessary steps, such as opening an RESP and applying for the CLB for the beneficiary. Once paid, the CLB payments and any other savings contributed to the RESP will likely grow over time and accumulate interest.

CLB Timeline

Child's birth to age 18: The subscriber opens an RESP in the beneficiary's name. The PCG must designate the RESP that will receive the CLB payments.

Age 18 – 21: Beneficiary can open their own RESP in order to request the CLB entitlement that they have not received.

Over age 21: In most cases, any unclaimed CLB, which has not been paid into an RESP, is forfeited.

Ultimately, when the child attends a qualifying post-secondary educational program, the beneficiary can receive the CLB as part of any Educational Assistance Payment (EAP).

2.7. Shared Custody

Before July 2011, only one eligible individual could receive the CCTB in respect of a qualified dependent each month. As of July 2011, one child can be in the care of two PCGs in the same month of a given year. This may have an impact on CLB eligibility.

2.8. PCG Used to Validate Eligibility for CLB Payments

To receive CLB payments, a beneficiary's PCG must designate an RESP into which CLB payments can be deposited. This is accomplished when a PCG completes and signs the PCG section of the application form.

For a given beneficiary at any given time, only one RESP can be designated to receive CLB payments. Consequently, the CLB payment for a beneficiary in any given year cannot be shared in two RESPs, even if the beneficiary has two PCGs.

However, a PCG can select a different RESP into which future CLB payments will be deposited by completing a new application form for the beneficiary. When a different RESP is designated to receive CLB payments for a beneficiary, the original RESP becomes inactive for CLB payments.



Key Concept

To request CLB for a beneficiary and designate an RESP to receive the corresponding future CLB payments, promoters must submit the identity of one PCG (named on the application form) to the CESP system. The PCG of the most recent CLB request received by the CESP system is used to validate a beneficiary's eligibility to receive the CLB each year.

Example

Sarah shares custody of Natasha with Robert. Both Robert and Sarah are eligible to receive CCTB payments for Natasha throughout the entire CCTB benefit year.

RESP	PCG Recognized by CRA	PCG Named on Application Form	CLB Request Sent to the CESP system
RESP A	Robert and Sarah	Robert	March 7, 2011
RESP B	Robert and Sarah	Sarah	May 10, 2010

The annual \$100 CLB payments are normally processed in August, after the beginning of a new CCTB benefit year. In the above example, the 2010 \$100 CLB payment (into RESP "B") would have been validated using Sarah as the PCG.

In 2011, the CLB payment (into RESP "A") would have been validated using Robert as the PCG and RESP "B" would become inactive for CLB. If the CESP system does not receive any other CLB requests for Natasha, RESP "A" would continue to receive annual CLB payments for her, provided Robert continues to satisfy eligibility requirements.

3. The CLB – How it Works

CLB payments are based on the following requirements:

- **A RESP.** A **subscriber** must meet with a participating RESP promoter, open an RESP, have it designated by the PCG, and name an eligible **beneficiary**.

Note: RESP contributions are not required to qualify for the CLB

- **Eligibility criteria.** The subscriber and participating RESP promoter ensure that all eligibility criteria have been met.
- **Application Process.** With the consent of the PCG (if different from the subscriber), the subscriber requests a participating RESP promoter to apply for the CLB on the beneficiary's behalf. See **4. Applying for the CLB**, later in this chapter. See also **Appendix A: Application Forms – Education Savings Incentives**.

3.1. CLB Payments and Lifetime Limit

CLB is based on the beneficiary's date of birth and whether or not the PCG qualifies for and receives the NCBS or the CSA payment. A beneficiary has the potential of receiving a total of 16 CLB payments, between their birth year and the end of the calendar year in which they turn 15 years old:

- one Initial CLB payment of \$500
- 15 subsequent CLB payments of \$100

This potentially represents a **total lifetime limit of \$2,000** per eligible beneficiary.

3.2. How CLB Entitlements are Tracked for an Eligible Beneficiary

ESDC and CRA share information to confirm a child's eligibility for CLB.

If the child's PCG is entitled to and receives the NCBS or payments under the CSAA, ESDC tracks CLB entitlements for the child until an RESP is opened, naming them as a beneficiary.

However, a PCG may not qualify for these benefits every year, so entitlements will only be accumulated for those years in which the individual PCG qualifies for and receives the NCBS or the public PCG is eligible for payments under the CSAA.

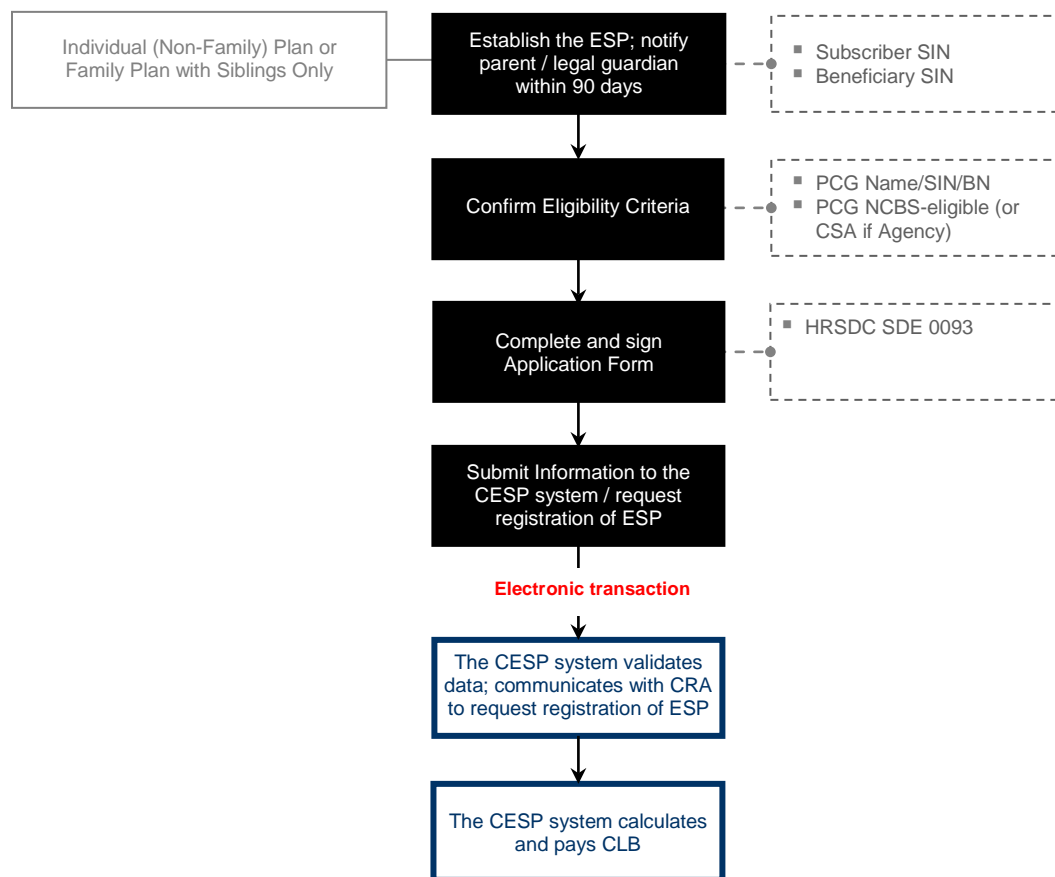
The following chart illustrates how CLB is tracked for an eligible child and ultimately paid once a subscriber opens an RESP for them and applies for CLB. During the application process, the beneficiary's PCG must designate the RESP into which CLB entitlements will be paid.

In the example below, the beneficiary is born in 2007 and the RESP will not be opened until 2016.

Tracking and Paying CLB Entitlements				
Year	Eligible for Initial or Subsequent CLB	Amount of CLB Entitlement	Amount of CLB Paid into RESP	Amount of Accumulated CLB Entitlement
2007	Initial CLB	\$500	\$0	\$500
2008	Subsequent CLB	\$100	\$0	\$600
2009	Subsequent CLB	\$100	\$0	\$700
2010	Not Eligible	\$0	\$0	\$700
2011	Not Eligible	\$0	\$0	\$700
2012	Subsequent CLB	\$100	\$0	\$800
2013	Subsequent CLB	\$100	\$0	\$900
2014	Subsequent CLB	\$100	\$0	\$1,000
2015	Subsequent CLB	\$100	\$0	\$1,100
2016	RESP Opened and CLB requested			
2016	Not Eligible	\$0	\$1,100 (Total CLB: From 2007 to 2015)	\$0
2017	Not Eligible	\$0	\$0	\$0
2018	Subsequent CLB	\$100	\$100	\$0
2019	Subsequent CLB	\$100	\$100	\$0
Total			\$1,300	

4. Applying for the CLB

The following illustration provides an overview of the **application process for CLB**.



4.1. The Application Process – CLB

Who is Involved?

The application process for CLB includes the participation of the following:

- RESP promoter
- subscriber
- custodial parent or legal guardian
- PCG

The RESP promoter facilitates the application process by:

- establishing and requesting registration of an Education Savings Plan (ESP) (initiated by the subscriber);
- confirming with the subscriber that the beneficiary qualifies for the CLB by discussing the eligibility criteria; and
- assisting the subscriber to complete the appropriate application form. This includes obtaining the PCG's consent to designate the RESP that will receive the CLB payments.

Note: The RESP promoter must be authorized to offer CLB.

The following provides a step-by-step overview of the application process.

Subscriber:

1. The subscriber approaches an authorized CLB RESP promoter with the intent of opening and registering an ESP and naming a beneficiary.

RESP Promoter:

2. The promoter establishes the ESP, making sure to obtain the SINs for:
 - the subscriber; and
 - the beneficiary.

Note: To receive CLB, the plan must be an individual (non-family) plan or a family plan in which all beneficiaries are siblings.

Opening and Registering the ESP

The RESP promoter will notify the parent or legal guardian that an ESP has been opened for the beneficiary within 90 days of establishing the plan. The CESP system is responsible for communicating to CRA the request to register the ESP. Once the plan has been registered, CRA will notify the RESP promoter directly. For more information, see **Chapter 1-4 Registered Education Savings Plans (RESPs), 2. Establishing the RESP.**

3. The promoter reviews the eligibility criteria with the subscriber to determine whether the beneficiary is eligible for CLB. See **2. Eligibility Criteria** earlier in this chapter. (See box below, regarding PCG Information).

PCG Information

If applying for the CLB, make sure to obtain the individual PCG's SIN. An agency responsible for a child in care (public PCG) must provide their BN. For the purposes of CLB:

- The individual PCG must have qualified for and received the NCBS for at least one month in the last benefit year.
- The public PCG must have qualified for and received the CSA for at least one month in the last benefit year.

4. The promoter ensures that the HRSDC SDE 0093 application form is completed and obtains the necessary signatures.

Note: Maintain the original signed application form according to established record keeping procedures.

Note: A PCG's signature on the application form signifies their consent to income verification by CRA.

To view detailed instructions for completing these form(s), see **Appendix A: Application Forms – Education Savings Incentives**.

Accurate Information Ensures Payment of the CLB

When completing the application form, it is important to verify the accuracy of the information. The information on the application form is used to electronically submit the request to CESP. Inaccurate information will result in the transaction being returned, delaying the payment of the CLB. For more information, see **Chapter 1–3: The CESP System and Interface Transaction Standards (ITS)**.

Subscriber:

5. The subscriber deposits contribution(s) to the RESP, as desired.

Note: RESP contributions are **not** required to qualify for the CLB.



Key Concept

RESP Contribution Limits per Beneficiary

The RESP promoter can take this opportunity to remind the subscriber of RESP contribution limits in respect of each beneficiary:

1998 to 2006:	Annual RESP Contribution Limit	\$4,000
	Lifetime RESP Contribution Limit	\$42,000
2007 or later:	Annual RESP Contribution Limit	No limit
	Lifetime RESP Contribution Limit	\$50,000

RESP Promoter:

6. The promoter processes the application form according to established procedures (see box below).



Technical
Info

What Happens to Information Captured on the Application Form?

The information supplied by the subscriber is collected by the RESP promoter's information system. This information is submitted to the CESP system in order to request registration of the ESP and to request the CLB. See **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS), 4. Submitting Information to CESP.**

Use the **Post-Application Checklist** (below) to provide the subscriber with some helpful reminders.

4.2. Post-Application Checklist

- ☐ Confirm all information has been accurately recorded onto the application form.

Accurate information ensures timely payment of the CLB. Inaccurate information will result in a refusal of payment.

- ☐ Remind the subscriber that the CLB is child-specific and that the CLB cannot be shared with other beneficiaries in the plan.
- ☐ Remind subscribers of RESP annual and lifetime contribution limits, informing them of the need to coordinate contributions if they are aware of other RESPs which have been established for the beneficiary.

The CLB does not depend on contributions to the RESP, but by coordinating contributions, subscribers can ensure they avoid overcontributions and potential penalty taxes.

- ☐ If the subscriber is not the beneficiary's parent or legal guardian, advise the subscriber that the RESP promoter must notify the parent or legal guardian within 90 days that an ESP has been opened.
- ☐ Advise subscribers that they will be notified once the ESP has been registered with CRA.
- ☐ Advise the subscriber that they will be notified by the RESP promoter when payment of the CLB is received and deposited into the RESP.

5. Receiving and Depositing the CLB



Key Concept

The CESP system will acknowledge receipt of the request for CLB by sending an RT 900 in the Transaction Processing Report to the RESP promoter. If the transaction request was successfully processed, this report will indicate the amount of CLB to be paid.

Note: In some cases, this record may notify the RESP promoter that payment of the CLB is being refused or it may indicate that a repayment is required due to a CRA reassessment. See **5.2 Reasons for Non-Payment**, below, and **6. Repaying the CLB**, later in this chapter.

Once the **RESP promoter** receives the CLB payment, they will:

1. Deposit the payment into the RESP in respect of the beneficiary.

The RESP promoter tracks and manages transactions within various accounts. Therefore, the payment will be 'deposited' to the CLB **RESP account**.

2. Notify the subscriber that the CLB has been deposited into the RESP.

5.1. Sharing the CLB and Earnings – Family and Group Plans

CLB is an incentive that is directed to a specific child. As such, there are restrictions on the sharing of CLB and associated earnings in the RESP.

CLB and earnings can be used in an EAP by the eligible beneficiary of the RESP, as long as the beneficiary meets the requirements for the EAP.

The following table identifies whether beneficiaries can share CLB and/or earnings.

	Family Plans *	Group Plans
CLB	CLB cannot be shared; it is directed to a specific eligible beneficiary.	
Earnings	The beneficiary's sibling(s) can share earnings if they are named as beneficiaries of the family plan.	The earnings on CLB <i>cannot</i> be shared with beneficiaries in the group plan.

* For the plan to have received **CLB** amounts, all the beneficiaries of a family plan had to have been siblings.

5.2. Reasons for Non-Payment of the CLB

In order to ensure that beneficiaries receive the CLB to which they are entitled, the RESP promoter must:

- accurately complete the appropriate application form; and
- submit the information collected on the application form, along with other required data, to the CESP system via an electronic transaction. This transaction must pass all formatting and business rules validation according to the *ITS*.

For more information about the types of reports that are sent to and received from CESP, see **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)**.

The CESP system will acknowledge a successfully processed transaction by sending the RESP promoter a RT 900 report that will include the amount of CLB to be paid.

On the other hand, there are situations when this report will specify reasons for non-payment of the CLB. Non-payment will occur when a transaction is either **rejected** or **refused**.

5.2.1. When Transactions are Rejected

If a submitted transaction contains an error (e.g. in the format of the transaction), it will be rejected.

An Error Report (RT 800) will be sent to the RESP promoter's Head Office staff responsible for sending and receiving CESP system transactions to make the necessary corrections. (See the box **Submitting a Correction to the CESP System**, below.)

5.2.2. When Payments are Refused

If due to non-compliance with the business rules associated with the CLB (e.g. the PCG did not qualify for the NCBS or the CSA for at least one month in the previous year), payment of the CLB may be refused. The RESP promoter will receive notification via the RT 900 Transaction Processing Report. The RESP promoter should contact the subscriber to confirm eligibility criteria.

Note: *In some cases, the submission meets all formatting rules but the CLB entitlement may have already been paid to a previously designated plan for the beneficiary. If the PCG designates a new plan to receive CLB payments, then that plan is recognized as the RESP designated by the PCG. The next year's entitlement will then be paid to that plan (provided it is still the currently designated RESP).*

For more information about other refusal reasons, refer to the *ITS*, available on the ESDC Web site.

Transaction ID

Unique identifier assigned to each transaction by the RESP promoter.



Technical
Info

Submitting a Correction to the CESP System

To submit a correction to a financial transaction (RT 400), the Sender (RESP promoter organization) must first submit a reversal transaction followed by a transaction with the corrected information.

Reversals indicate that the original transaction did not occur as reported.

The reversal transaction must always reference the financial transaction being reversed by providing the RESP promoter's BN and the original **Transaction ID**.

Once the CESP system matches the original and reversal transactions, the incorrect information is 'adjusted' or 'deleted'.

Senders can then submit the new RT 400 transaction with the corrected information.

For more information, see **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)** or refer to ESDC's *Interface Transaction Standards (ITS)*, available on the ESDC Web site.

5.3. Condition for Payment of the CLB – Three-Year Rule

As of January 1, 2005, any requests for CLB must be submitted and successfully processed **within three years of the original transaction date**.

This ensures that eligible children receive the CLB within a reasonable timeframe and that payments are not delayed due to administrative issues.

This three-year rule also applies to the correction of financial transactions. If for example, the RESP promoter submits incorrect information or makes a formatting error in the financial transaction, they must correct and re-submit that transaction within three-years of the original transaction date.

For example ...

The RESP promoter submits an RT 400-24 financial transaction to request the CLB. Once paid, the CLB will automatically continue to be paid to the RESP in subsequent years, subject to CRA verification that the PCG qualifies for and receives the NCBS.

If a subscriber no longer wishes to receive CLB payments, then the RESP promoter must submit an RT 400-24 transaction with a Grant requested flag set to "No". This will prevent further payments of the CLB to the plan.

When the subscriber wishes to again receive CLB payments, a new RT 400-24 transaction must be submitted with the bond requested flag set to "Yes". This will result in the payment of all accumulated CLB.

All available CLB at that time will be paid to the newly designated RESP.

If the RESP promoter fails to successfully submit or correct the transaction within the three-year period, the CESP system will process the transaction but will not pay the CLB.

6. Repaying the CLB

There are certain circumstances that will require a repayment of the CLB. In such cases, the RESP promoter must:

1. recognize and identify those transactions that will result in a repayment of the CLB (listed below);
2. determine the amount of CLB to be repaid; and
3. submit the required financial transaction(s) to the CESP system, indicating the reason for the repayment and the amount to be repaid. See **6.3 Submitting Repayment Information to CESP**, below.

6.1. Repayment Circumstances

The RESP promoter must repay the CLB in an RESP when:

- The RESP is terminated.
- The registration for the RESP is revoked.
- An accumulated income payment (AIP) is made.
- A payment to a designated educational institution is made.
- An EAP is made to an individual who is not a beneficiary of the RESP.
- An ineligible transfer occurs.
- An ineligible beneficiary replacement occurs.
- A beneficiary who is not a sibling is added to a sibling-only RESP into which CLB has been paid.
- The beneficiary, for whom CLB was paid into the RESP, ceases to be a beneficiary of the RESP (e.g. deceased).

Note: If a beneficiary ceases to be a beneficiary, only the CLB that was paid for this beneficiary must be repaid.

Promoters initiate a CLB repayment from an RESP by submitting a transaction to the CESP system, indicating the amount of CLB to repay and the repayment reason. The CESP system makes monthly direct deposits for each promoter, which includes all incentive payments made for all successfully processed transactions submitted by the promoter in the previous month. All repayment amounts for the previous month are subtracted from the amount that would normally be paid to promoters in their next direct deposit. See also **6.3. Submitting Repayment Information to CESP** later in this chapter.

Beneficiaries may also be asked to return CLB amounts paid in EAPs

If it is determined that they were not entitled to receive CLB amounts in some of their EAPs, beneficiaries may receive a Notice of Debt for these amounts, with repayment instructions.

Promoters would not submit transactions to the CESP system in these cases because the beneficiaries pay this debt directly to the Government of Canada. However, there may be situations in which a beneficiary could avoid having to pay this debt. Promoters can contact their CESP Promoter Support Officer for additional information.

6.2. Determining the Repayment Amount

If the promoter repays CLB from an RESP for any of the above reasons (except when a beneficiary ceases to be a beneficiary), the amount to repay is equal to the lesser of:

- all of the CLB account(s) for the affected beneficiaries immediately before the occurrence; and
- the fair market value of the **property** held in the RESP, immediately **before** the occurrence.

When a Beneficiary Ceases to be a Beneficiary

When a beneficiary, for whom CLB was paid into the RESP, ceases to be a beneficiary of the RESP, the amount to repay is equal to the lesser of:

- the balance of the beneficiary's CLB account immediately before the beneficiary ceases to be a beneficiary; and
- the fair market value, immediately before the beneficiary ceases to be a beneficiary, of the property held in connection with the RESP less the total of the balances of the CLB accounts in the RESP for all other beneficiaries.

Consequences of Repaying CLB

The repayment of CLB does not result in a loss of entitlements. If another RESP is designated at a later date, the repaid entitlements will be deposited in the RESP. A beneficiary's lifetime CLB entitlement is not affected by a repayment (This does not apply to a CRA re-assessment).

6.3. Submitting Repayment Information to CESP System

Financial transactions (Record Type 400) are used to record the movement of funds into or out of the RESP (with the exception of earnings). A repayment of the CLB is considered a financial transaction.

When submitting repayment information to CESP, the RESP promoter organization will submit the following transaction to the CESP System:

- RT 400, Transaction Type 21 (Grant repayment)

In addition, the transaction will identify the Repayment Reason, with one of the following codes:

- 02 AIP (Accumulated Income Payment)
- 03 Contract termination
- 04 Ineligible transfer
- 05 Ineligible beneficiary replacement
- 06 Payment to an educational institution
- 07 Revocation (of plan)
- 08 Ceases to meet Sibling-Only condition
- 09 Deceased (beneficiary)
- 11 Other

Note: Repayment Reasons 01 and 10 do not apply to the CLB. Therefore they are not included in this list.

For more detailed information about transactions and how they are processed between the RESP promoter and the CESP System, see **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)**.

6.4. How Funds are Used to Repay the CLB

The repayment transactions submitted to CESP will depend on whether or not there are sufficient funds in the RESP at the time repayment is required.

Stopping Future CLB Payments When Terminating an RESP

When an RESP is terminated, the RESP promoter must ensure that all future CLB payments to the RESP have been stopped.

Promoters stop CLB payments for a particular beneficiary in an RESP by submitting a CLB request transaction (RT 400-24) for the beneficiary with the "Grant Requested" field set to "0" (No). This transaction must be submitted for each beneficiary for whom there is an active CLB request in the terminated RESP.

6.4.1. When Sufficient Funds Exist in the RESP

If there are sufficient funds in the RESP, the RESP promoter will repay the CLB and any other incentives from the corresponding RESP account(s).

For example ...

Repayment Reason: The CLB will not be used as an EAP by the beneficiary and the plan is terminated. The RESP individual (non-family) plan looks like this:

RESP Market Value	Earnings	Contributions	CLB	CESG
\$27,275	\$9,375	\$14,000	\$300	\$3,600
CLB Repayable:		\$300		
CESG Repayable:		\$3,600		

Based on the above example, the RESP promoter will withdraw the funds from the RESP and submit the following repayment transaction to CESP.

RT 400-21(03) **CLB repayment transaction with a reason code of (03),** identifying a contract termination, with:

\$300 in the CLB amount field identifying the repayment amount.

\$3,600 in the CESG amount field identifying the repayment amount. *

Note: The CESG must also be repaid because the plan is being terminated.

6.4.2. When Insufficient Funds Exist in the RESP and the Plan is Terminated

When the RESP is terminated, any CLB (or any other incentive) must be repaid.

If the RESP has experienced a loss and there are insufficient funds to cover the total amount of bond (or other incentives) repayable, the RESP promoter must submit a **Termination Adjustment Transaction** to CESP to advise them of the shortfall.

Losses are first attributed to earnings, and then to contributions. Once these accounts are depleted, any remaining losses are apportioned equally across the incentive accounts in the RESP.

The following example illustrates how the RESP promoter will determine the amount and repayment transaction that must be submitted to the CESP system when the CLB and CESG have been paid into the RESP.

For example ...				
Repayment Reason: The RESP is terminated. The RESP individual (non-family) plan looks like this:				
RESP Market Value	Earnings	Contributions	CLB	CESG
\$1,500	\$0	\$0	\$800	\$1,200
Note: Losses in the plan have been applied to the earnings and then to the contributions. Therefore, these accounts show a balance of \$0.				
CLB Repayable:		\$800		
CESG Repayable:		\$1,200		
Total Repayable		\$2,000		

Based on this example, the total amount repayable (\$2,000) exceeds the market value of the RESP (\$1,500). Therefore, the following calculations are required:

- Determine the remaining amount of incentives in the RESP:

$$\mathbf{\$800 \text{ (CLB)}} + \mathbf{\$1,200 \text{ (CESG)}} = \mathbf{\$2,000}$$

- Determine the percentage represented by each incentive amount in the RESP:

$$\begin{array}{rclcl} \text{CLB} & / & \text{Total Value of Incentives} & = & \% \text{ of CLB} \\ \mathbf{\$800} & / & \mathbf{\$2,000} & = & \mathbf{40\%} \end{array}$$

$$\begin{array}{rclcl} \text{CESG} & / & \text{Total Value of Incentives} & = & \% \text{ of CESG} \\ \mathbf{\$1,200} & / & \mathbf{\$2,000} & = & \mathbf{60\%} \end{array}$$

3. Apply these percentages to the RESP Market Value of \$1,500:

Market Value	x	% of CLB	=	CLB Repayable
\$1,500	x	40%	=	\$600

Market Value	x	% of CESG	=	CESG Repayable
\$1500	x	60%	=	\$900

The following transactions are used to submit repayment information:

RT 400-21(03) CLB repayment transaction with a **reason code of (03)**, identifying a contract termination, with:

\$600 in the CLB amount field identifying the CLB repayment amount.

\$900 in the CESG amount field identifying the CESG repayment amount.

Next, it will be necessary to determine the shortfall and submit the appropriate Termination Adjustment Transactions to CESP.

To determine the shortfall:

Total Value of Incentives – Repayment Amount = Adjustment

CLB:	\$800	–	\$600	=	\$200
CESG:	\$1,200	–	\$900	=	\$300

To account for the difference of \$500, the RESP promoter must also send a Termination Adjustment Transaction to inform CESP of the shortfall, **but only when the RESP is terminated**.

The following transaction is used to submit this information:

RT 400-22 Termination Adjustment transaction, identifying:

\$200 as the amount of the shortfall applied to the CLB.

\$300 as the amount of the shortfall applied to the CESG.

Even if the CLB repayment is \$0, as a result of losses in RESP earnings, contributions, and incentives, the repayment transaction must still be reported to CESP.

Note: In most cases, the RESP promoter's financial system will automatically calculate the amount of incentive(s) repayable. However, understanding how to determine the amount to be repaid will help RESP promoters to communicate this information to the clients.

7. Other Transactions Involving the CLB

The RESP promoter may also be asked to handle other transactions involving the CLB. These include:

- Transferring funds (including the CLB) from one RESP to another.

See **Chapter 3-1: RESP Transfers and the Education Savings Incentives**.

- Responding to a request for an EAP and calculating the CLB portion of the EAP.

See **Chapter 3-2: Post-Secondary Education and Educational Assistance Payments (EAPs)**.

Special Note Regarding CLB and Transfers

CLB is subject to specific procedures when funds are transferred to another RESP.

While the CESG, Alberta Grants and Saskatchewan Advantage Grant for Education Savings (SAGES) must be transferred in an amount proportional to the value of assets being transferred, the CLB is not subject to this rule.

The subscriber can choose to transfer all or part of the CLB, or none at all. Whatever amount of CLB is transferred must be accounted for separately and attributed to the beneficiary to whom it was originally paid. For more information, see **Chapter 3-1: RESP Transfers and the Education Savings Incentives**.



Important notice: This document is revised regularly. Visit the following address for the latest version:
http://www.esdc.gc.ca/eng/jobs/student/promoters/user_guide/index.shtml

Canada Education Savings Program – RESP Provider User Guide

CHAPTER 2-4

The Alberta Centennial Education Savings Plan Grants (Alberta Grants)

The Alberta Centennial Education Savings Plan Grants (Alberta Grants) were introduced by the Government of Alberta as part of its provincial centennial celebrations in 2005. The Alberta Grants are a provincial incentive to encourage parents/guardians to plan and save for their children's post-secondary education. It is paid under a designated provincial program.

Employment and Social Development Canada (ESDC) has partnered with the Government of Alberta to deliver the Alberta Grants.

RESP Promoters must be authorized by ESDC to offer the Alberta Grants or any other education savings incentive administered by ESDC.

The Alberta Grants consists of:

- One Alberta \$500 Grant
- Three Alberta \$100 Grants

In this chapter



Alberta Grants

1. The Alberta Grants – An Overview.....	2 – 4 – 2
2. Eligibility Criteria	2 – 4 – 3
3. The Alberta Grants and the RESP	2 – 4 – 8
4. Applying for the Alberta Grants	2 – 4 – 9
5. Receiving and Depositing the Alberta Grants.....	2 – 4 – 14
6. Repaying the Alberta Grants	2 – 4 – 18
7. Other Transactions Involving the Alberta Grants.....	2 – 4 – 23

1. The Alberta Grants – An Overview

The **Alberta Grants** are a provincial incentive that was introduced in 2005 and is paid under a **designated provincial program**. The Canada Education Savings Program (CESP) administers this incentive through an agreement between ESDC and the Government of Alberta.

Alberta Grants consist of the following grant amounts for children with a parent or legal guardian who is a resident of Alberta (or was a resident of Alberta at the eligible grant ages) and who meet the related eligibility criteria:

Alberta \$500 Grant:

\$500 for each eligible child born on January 1, 2005 or later.

Alberta \$100 Grants:

Three separate grants of \$100 each for eligible children who reach the age of 8, 11 and 14 years on January 1, 2005 or later.

The maximum personal entitlement under the Alberta Grants is \$800. The Alberta Grants are deposited to a Registered Education Savings Plan (RESP).

1.1. How it Works

The payment of the Alberta Grants is based on the following requirements:

- **An RESP.** A **subscriber** must meet with a RESP Promoter who offers the Alberta Grants, open an RESP, and name an eligible **beneficiary**.

To be eligible to receive the Alberta Grants, the RESP must be an individual (non-family) plan or a family plan in which all beneficiaries are siblings.

- **RESP Contributions.** The subscriber makes contributions to the RESP.

Payments of Alberta Grants into an RESP are treated the same way as the federal grants or bonds and do not attract federal grants or bonds themselves. These payments are not considered to be contributions to an RESP.

***Note:** While the Alberta \$500 Grant does not require a minimum contribution to the RESP, each of the Alberta \$100 Grants do require a minimum \$100 contribution to the RESP within 12 months immediately preceding each application for each Alberta \$100 Grant.*

- **Eligibility criteria.** The RESP promoter, together with the subscriber, ensures that the beneficiary has met all eligibility criteria for the Alberta Grant for each application that is being made.
- **Application Process.** The subscriber requests a participating RESP promoter to apply for the applicable Alberta Grant on their behalf within the specified time period(s). See section 4. **Applying for the Alberta Grants**, later in this chapter.

2. Eligibility Criteria

Specific eligibility criteria are associated with the Alberta \$500 Grant and the Alberta \$100 Grants, as follows:

2.1. Alberta 500\$ Grant

- ☐ Has the subscriber established an RESP and named a beneficiary?
- ☐ Is the plan an individual (non-family) plan or a family plan in which all beneficiaries are siblings?
- ☐ Was the parent or legal guardian a resident of Alberta or ordinarily present in Alberta at the time of the child's birth or at the time of application for the Alberta \$500 Grant?
- ☐ Has the parent or legal guardian provided proof of Alberta residency? In cases where the parent or legal guardian is no longer an Alberta resident but was a resident at the time of the child's eligible grant ages (that is birth, 8, 11, 14 years of age), has the parent or legal guardian undergone a successful Request for Ministry Review and received a letter confirming eligibility from the Government of Alberta?
- ☐ Was the child born in 2005 or later?
- ☐ Is the application for the Alberta \$500 Grant being submitted within six (6) years of the child's date of birth? See section **2.3 Age Limits and Application for the Alberta Grants**, below.

*If all of the questions to this point have been answered in the affirmative, the beneficiary may be eligible for the **Alberta \$500 Grant**.*

2.2. Alberta \$100 Grants

- ☐ Has the subscriber established an RESP and named a beneficiary?
- ☐ Is the plan an individual (non-family) plan or a family plan in which all beneficiaries are siblings?
- ☐ Was the parent or legal guardian a resident of Alberta or ordinarily present in Alberta at the time of the child's applicable birthday (8, 11 or 14 years of age) or at the time of the application for the Alberta \$100 Grants?

- ☐ Has the parent or legal guardian provided proof of Alberta residency? In cases where the parent or legal guardian is no longer an Alberta resident but was a resident at the time of the child's eligible age (8 years, 11 years or 14 years of age), has the parent or legal guardian undergone a successful Request for Ministry Review and received a letter confirming eligibility from the Government of Alberta?
- ☐ Has the child turned 8, 11 or 14 years old on January 1, 2005 or later?
- ☐ Is the child attending school? See section **2.5 School Attendance and the Alberta \$100 Grants** below.
- ☐ Has a minimum contribution of \$100 been made to any RESP in respect of the child within the 12 months immediately preceding the application for each Alberta \$100 Grants?
- ☐ Is the application for the specific Alberta \$100 Grant being submitted within six years following the child's 8th, 11th, or 14th birthday? See section **2.3 Age Limits and Application for the Alberta Grants**, below.

*If all of the questions to this point have been answered in the affirmative, the beneficiary may be eligible for the **Alberta \$100 Grants**.*

2.3. Age Limits and Application for the Alberta Grants

Applications for the Alberta Grants must be submitted according to the following timetable:



Key Concept

Beneficiary's Age	Alberta \$500 Grant ¹	Alberta \$100 Grants ²	Application for Alberta Grant is made between the Beneficiary's:
0	\$ 500	-	Date of birth to day of 6 th birthday
8	-	\$ 100	8 th birthday to day of 14 th birthday
11	-	\$ 100	11 th birthday to day of 17 th birthday
14	-	\$ 100	14 th birthday to day of 20 th birthday
Total Alberta Grant	\$ 500	\$ 300	\$ 800 (deposited to an RESP)

¹ For children born on January 1, 2005 or later.

² For children who are 8, 11, and 14 years old on January 1, 2005 or later, and are attending school.

2.4. Residency of Parent or Legal Guardian



Key Concept

The *Alberta Centennial Education Savings Plan Act* defines residency as being “ordinarily present in Alberta”. This includes a person whose home ordinarily is in Alberta but who leaves Alberta for a period of up to 12 months, or a longer period and intends to return to Alberta at the end of that period.

As applicants are eligible for up to 6 years from the date of the child’s birth or eligible age (8, 11 and 14 years of age), if a child’s parent or legal guardian is no longer a resident of Alberta but was a resident of Alberta at the time of the child’s birth or eligible age (8, 11 or 14 years of age), the child may still be eligible for the Alberta Grants following the successful Request for Ministry Review.

For more information visit aces.alberta.ca or contact the Alberta Government at Alberta Connects: 866-515-ACES (2237).

See section **5.5. Request for Ministry Review of a Denied Application or to Prevent the Denial of an Application** below.

Proof of Alberta Residency

During the application process for Alberta Grants, proof must be shown to the RESP promoter that a parent or guardian of the beneficiary is a resident of Alberta.

Some examples of documentation that would demonstrate that parents or legal guardians make their residence and are ordinarily present in Alberta include:

- Valid Alberta Driver’s license
- Alberta photo identification card
- Alberta Health Insurance Card
- Bank statements, utility bills, mortgage statements or rental agreements that show a recent date and state the name and Alberta address of the parent or legal guardian

RESP promoters (not subscribers) must note on the Alberta Grant application form the type of documentation shown to the promoter as proof of residency. For example, the promoter could write “driver’s license” (not the driver’s license number) in the space to be completed by the promoter at the bottom of section B.

See **Chapter 1-1: ESDC’s Education Savings Incentives Program**, section **3 Federal and Provincial Privacy Requirements**.

2.4.1. Legal Custody of Children

Generally, the parent or legal guardian residing in Alberta will have custody of the child. However, if not, a parent who lives in Alberta is still entitled to apply for the Alberta Grants in respect of their child (even though the child may not be actually residing with the parent in Alberta).

A non-resident parent, on the other hand, may have to complete a Request for Ministry Review form in order to apply for the Alberta Grants for an eligible child. See section **5.5. Request for Ministry Review of a Denied Application or to Prevent the Denial of an Application** below.

2.4.2. Families Moving into Alberta

A family that moves into Alberta is also eligible to apply for each of the Alberta Grants.

2.4.3. Families Moving out of Alberta

If the parent(s) or legal guardian(s) are no longer residents of Alberta, the child may still be eligible to receive the Alberta Grants if at least one parent or legal guardian was a resident of Alberta at the time of the child's eligible ages (birth, 8, 11 or 14 years of age).

Prior to applying for the specific Alberta Grant, the parent(s) or legal guardian(s) must complete a Request for Ministry Review, in which they must provide an explanation in support of the review and attach supporting documents to demonstrate their Alberta residency for the relevant year as well as proof of the child's date of birth. See section 5.5. **Request for Ministry Review of a Denied Application or to Prevent the Denial of an Application** below.

2.5. School Attendance and the Alberta \$100 Grants



Key Concept

To be eligible to receive the Alberta \$100 Grants, the beneficiary must be attending school at the time of eligible age (8, 11 or 14 years of age).

NOTE: the child only needs to be attending school, but not necessarily in Alberta; also, children who pursue their primary education within the home are eligible to receive the Alberta Grants.

For more information about the school attendance requirement, please visit aces.alberta.ca or contact the Alberta Government at Alberta Connects: 866-515-ACES (2237).

2.6. RESP Contributions and the Alberta \$100 Grants



Key Concept

For the Alberta \$100 Grants, a minimum of \$100 must be contributed in respect of the specified child to *any* RESP, in any qualified institution, in the 12 months immediately preceding application for each of the Alberta \$100 Grants.

For example ...

In July 2006, a grandparent contributes \$50 to an RESP in respect of a specific beneficiary, Jane, with RESP Promoter “A”.

In February 2007, Jane's mother opens a new family RESP for Jane and two other siblings with RESP Promoter “B”, contributes \$50 in respect of Jane, and applies for the Alberta Grant for Jane (who has turned 14 years old). The Alberta Grant can be paid for Jane into this new RESP because it is a family plan in which all beneficiaries are siblings, and has met the minimum \$100 contribution requirement within the preceding 12 months.

Jane's mother is not obligated to make the request for the Alberta Grant with RESP Promoter “A” (where part of the required \$100 in accumulated contributions was made, specifically for Jane, in the 12 months preceding this request for the Alberta Grants).

Note: Other education savings incentives, such as the CESG and the CLB are not considered to be contributions.

Use the following chart to help identify the timing of the \$100 contributions required for the Alberta \$100 Grants.

Alberta \$100 Grants	Age of Beneficiary	When to Make the Contribution of at Least \$100 ¹	When to Make the Application for the Grant
1 st grant	8	Between the beneficiary's 7 th birthday to day of 14 th birthday	Between the beneficiary's 8 th birthday to day of 14 th birthday
2 nd grant	11	Between the beneficiary's 10 th birthday to day of 17 th birthday	Between the beneficiary's 11 th birthday to day of 17 th birthday
3 rd grant	14	Between the beneficiary's 13 th birthday to day of 20 th birthday	Between the beneficiary's 14 th birthday to day of 20 th birthday

¹ There may be more than one RESP established for the beneficiary. Any subscriber can make this minimum \$100 contribution to any of the RESPs for the beneficiary. The contribution does not have to be made by the subscriber who is applying for the Alberta \$100 Grants.

If any Alberta Grant is withdrawn from the RESP and not used as an Educational Assistance Payment (EAP), all of the Alberta Grants paid into the RESP must be repaid. See section 6. **Repaying the Alberta Grants** later in this chapter.

3. The Alberta Grants and the RESP

The following example shows how a family can be encouraged to use the Alberta Grants to start and maintain a regular education savings plan for their child.

For example ...

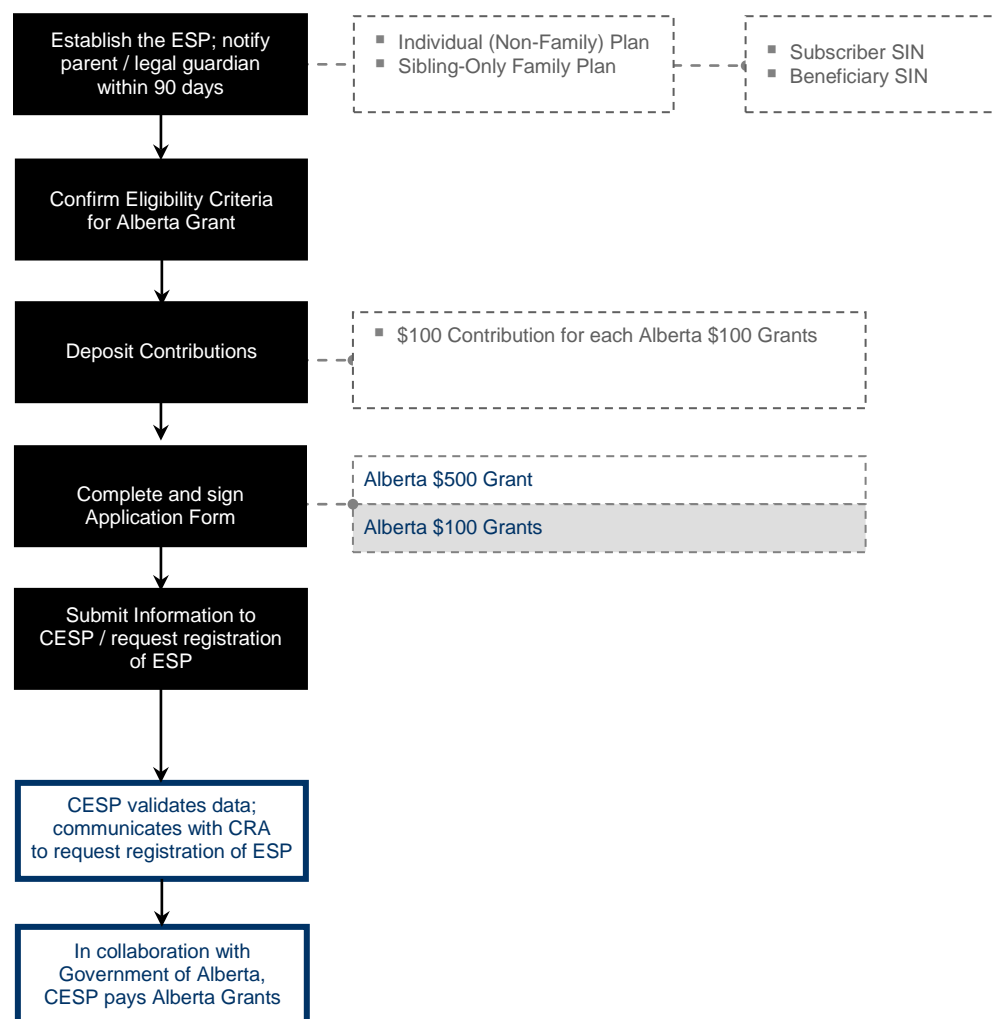
Darrell is born March 15, 2005. His parents, who are residents of Alberta open an RESP in July 2005 and name Darrell as the beneficiary.

- In July 2005 they apply for and receive the Alberta \$500 Grant.
- From 2006 to 2022 (when Darrell turns 17 and begins post-secondary education), his parents contribute \$600 per year and apply for each of the \$100 Grants when he was 8, 11, and 14 years old.
- Over this time period a total of \$10,200 in contributions and \$800 in Alberta Grants have been deposited to the RESP, earning interest, as summarized in the following table.

Year	Alberta \$500 Grant	Alberta \$100 Grants	Contributions to RESP	Earnings @ 5%	Accumulated Total
2005	\$ 500	-	-	-	-
2006 – 2022	-	\$ 300 \$100 @ ages 8, 11 and 14	\$ 10,200 \$600 / yr x 17	\$ 6,908	\$ 17,908

4. Applying for the Alberta Grants

The RESP promoter assists the subscriber to apply for the Alberta Grants. The following illustration provides an overview of the application process for the **Alberta \$500 Grant** and the **Alberta \$100 Grants**.



4.1. The Application Process – Alberta Grants

The RESP promoter facilitates the Alberta Grants application process as follows:

- Establishes and requests registration of an Education Savings Plan (ESP) (initiated by the subscriber).
- Helps the subscriber to identify if the beneficiary qualifies by informing them of the related eligibility criteria.
- Assists the subscriber to complete the separate applications for the Alberta \$500 Grant and for each of the Alberta \$100 Grants.

Note: The RESP Promoter must be authorized by ESDC to offer the Alberta Grants.

The following provides a step-by-step overview of the Alberta Grants application process:

Subscriber:

1. Approaches an RESP promoter authorized to offer the Alberta Grants with the intent of opening and registering an ESP.

RESP Promoter:

2. Establish the ESP: making sure to obtain the Social Insurance Number (SIN) for the subscriber and beneficiary (for plan registration purposes). See **Chapter 1-4: Registered Education Savings Plans (RESPs), 2. Establishing the RESP.**

The RESP promoter must notify the parent or legal guardian that an ESP has been established for the beneficiary within 90 days of opening the ESP.



Key Concept

Eligible types of Plans for the Alberta Grants

Make sure the plan is either an individual (non-family) plan or a family plan in which all beneficiaries are siblings (in order to be eligible for the Alberta Grants).

3. Review eligibility criteria to help the subscriber confirm that the beneficiary is eligible for the relevant Alberta Grant. See section **2.1 Alberta \$500 Grant** and **2.2 Alberta \$100 Grants** earlier in this chapter.
4. Obtain the information required to apply for the specific Alberta Grant.

If applying for the Alberta \$500 Grant:

- The name, date of birth, and gender of the beneficiary.
- The name and address of the child's parent or legal guardian who is a resident of Alberta or who was a resident of Alberta at the time of the child's birth.
- Proof of residency for the parent or legal guardian. See section **2.4 Residency of Parent or Legal Guardian** earlier in this chapter.
- The name of the child's custodial parent or legal guardian if that individual is not the subscriber.

- Any other information required by the Alberta Government, e.g. personal information, as required by *Alberta's Personal Information Protection Act*.

If applying for the Alberta \$100 Grants:

- All of the above information.

AND

- The name of the beneficiary's school – in or outside of Alberta (as satisfactory to the Government of Alberta).
- Confirmation that at least \$100 in RESP contributions has been made in respect of the beneficiary within the past 12 months.

The RESP promoter must comply with provincial and federal privacy legislation as it applies to the collection and verification of personal information. For more information, See **Chapter 1-1: ESDC's Education Savings Incentives Program, 3. Federal and Provincial Privacy Requirements**.

5. Provide the Application for Alberta Centennial Education Savings Plan Grant to the subscriber for completion. Each financial institution determines how these forms are to be completed (manually or on-line).

This application form is available on the following Web page.

<http://www.esdc.gc.ca/eng/jobs/student/promoters/index.shtml#tab4>

An Overview of the Alberta Grants Application Form

This form must be completed by the subscriber and includes declarations and signatures of:

- Beneficiary's parent or legal guardian, with proof of Alberta residency
- Beneficiary's custodial parent or legal guardian (if different from above)
- Subscriber

Separate applications are required for each of the Alberta Grants

To view detailed instructions for completing each form see **Appendix A: Application Forms – Education Savings Incentives**.

6. Confirm that the applications for the Alberta Grants are submitted within the specified time period.

Alberta \$500 Grant: Between the beneficiary's date of birth and the day of their sixth birthday.

Alberta \$100 Grants, as relevant – Between the Beneficiary's:

- 8th birthday to the day of their 14th birthday
- 11th birthday to the day of their 17th birthday
- 14th birthday to the day of their 20th birthday



Key Concept

7. Obtain the required signatures on the Alberta Grant application form(s) (for help refer to step 5 above). The RESP promoter is responsible for maintaining the original signed application form according to the organization's record keeping procedures.

The RESP promoter may also wish to use the Post-Application Checklist (below) to provide the subscriber with some helpful reminders.



Technical Info

What Happens to Information Collected on the Application Form?

Depending on the procedures established within each financial institution, the RESP promoter will send the information collected during the application process to the Head Office or organization authorized to send the information to the CESP. They will submit the appropriate transactions to the CESP in order to request registration of the contract and make the request for the applicable Alberta Grant. See **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)**.

Subscriber :



Key Concept

8. Deposits contribution(s) to the RESP.

Alberta \$500 Grant: Contributions are not required for the beneficiary to be eligible to receive the Alberta \$500 Grant.

Alberta \$100 Grants:

A minimum \$100 in contributions must be deposited to an RESP, in respect of the beneficiary, in the year immediately preceding the application for each of the Alberta \$100 Grants.

4.2. Post-Application Checklist

- ☐ Remind the subscriber that more than one RESP can be established for a beneficiary.

If two (or more) requests for the same Alberta Grant are submitted for the same beneficiary, the request with the earliest transaction date will receive the Alberta Grant payment.

- ☐ Remind subscribers of RESP annual and lifetime contribution limits, informing them of the need to coordinate contributions if they are aware of other RESPs which have been established for the beneficiary.
- ☐ Encourage the subscriber to coordinate contributions to the RESP if they are aware of other RESPs which have been established for the beneficiary.

This will ensure they avoid overcontributions and potential penalty taxes.

- ☐ Advise the subscriber (if the subscriber is not the beneficiary's parent or legal guardian) that within 90 days of opening the RESP, the RESP promoter will notify the custodial parent or legal guardian of the RESP that has been established for the beneficiary.
- ☐ Advise subscribers that they will be notified by the RESP promoter of the Alberta Grant payment.

5. Receiving and Depositing the Alberta Grants

CESP will acknowledge receipt of the request for the Alberta Grants by sending an RT 900 Transaction Processing Report to the RESP promoter. If the transaction request was successfully processed, this report will indicate the amount of Alberta Grants to be paid.

Note: In some cases, this record may notify the RESP promoter that payment of the Alberta Grants is being refused; it may also indicate that a repayment is required. See section **5.3 Reasons for Non-Payment of the Alberta Grants** below and section **6. Repaying the Alberta Grants** later in this chapter.

Once the **RESP Promoter** receives the Alberta Grant payment:

1. The promoter deposits the payment into the RESP in respect of the beneficiary.

The promoter tracks and manages transactions within various accounts. Therefore, the payment will be 'deposited' to the Alberta Grants **RESP account**.

2. The promoter notifies the subscriber, via account statements, that the Alberta Grants payment has been deposited into the RESP.

5.1. Multiple RESPs – Multiple Requests for the same Alberta Grant

There can be more than one RESP established for a beneficiary. Therefore, CESP may receive more than one request for the same age-specific Alberta Grant request for the same beneficiary.

If two (or more) requests for the same Alberta Grant are submitted for the same beneficiary, the Alberta Grant will be paid to the first request submitted and successfully processed by the CESP system.

5.2. Sharing the Alberta Grants

Although the maximum personal entitlement under the Alberta Grants is \$800, there is no limit to the amount of Alberta Grant that can be used by any one beneficiary.

For example, circumstances may occur where a beneficiary has personally received both the Alberta \$500 Grant and the Alberta \$100 Grants (for a total of \$800). They may also be an eligible alternate beneficiary. In this case, they can use the Alberta Grants they personally received, as well as any amount of Alberta Grant available to them as the eligible 'alternate' beneficiary.

5.2.1. Sharing Earnings on the Alberta Grants

Earnings on the Alberta Grants can only be shared in a family plan in which all beneficiaries are siblings.

5.3. Reasons for Non-Payment of the Alberta Grants

In order to ensure that beneficiaries receive the Alberta Grants to which they are entitled, the RESP promoter must:

- Ensure the subscriber accurately completes the Application for Alberta Centennial Education Savings Plan Grant form.
- Submit the information collected on the form, along with other required data, to CESP via an electronic transaction. This transaction must pass all formatting and business rules validation according to the Interface Transaction Standards (ITS).

For more information about the types of reports that are sent to and received from CESP, see **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)**.

CESP will acknowledge a successfully processed transaction by sending the RESP Promoter a report, which will include the amount of Alberta Grants to be paid.

There are also situations when this report will specify reasons for non-payment of the Alberta Grants. Payment may be rejected or it may be refused.

5.3.1. When Transactions are Rejected

If a submitted transaction contains an error (e.g. in the format of the transaction), it will be rejected.

An Error Report (RT 800) will be sent to the RESP promoter's Head Office staff responsible for sending and receiving CESP system transactions to make the necessary corrections. (See the box **Submitting a Correction to the CESP System**, below).

5.3.2. When Payments are Refused

Payment may be refused due to non-compliance with the business rules associated with Alberta Grants. The RESP promoter will receive notification via the RT 900 Transaction Processing Report and should contact the subscriber to confirm eligibility criteria.

For example, an Alberta Grant payment will be refused if a minimum of \$100 in RESP contributions was not made in respect of the beneficiary in the 12 months immediately preceding the application of an Alberta \$100 Grant (Refusal Reason K - \$100 contribution not met).

Payment of Alberta Grants may be refused for other reasons. For more information see **Appendix F Understanding Refusal Reasons**.



Technical
Info

Submitting a Correction to the CESP System

To submit a correction to a financial transaction (RT 400), the Sender (RESP promoter organization) must first submit a reversal transaction followed by a transaction with the corrected information.

Reversals indicate that the original transaction did not occur as reported.

The reversal transaction must always reference the financial transaction being reversed by providing the RESP promoter's Business Number (BN) and the original **Transaction ID**.

Once the CESP system matches the original and reversal transactions, the incorrect information is 'cancelled'.

Senders can then submit the new RT 400 transaction with the corrected information.

For more information, see **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)** or refer to ESDC's Interface Transaction Standards (ITS), available on the ESDC Web site.

5.4. Condition for Payment of the Alberta Grants – Three-Year Rule

As of January 1, 2005, any requests for the Alberta Grants must be successfully submitted within three years of the original transaction date.

This ensures that eligible children receive the Alberta Grants within a reasonable time period and that payments are not delayed due to administrative issues.

This three-year rule also applies to the correction of financial transactions. If the RESP promoter submits incorrect information or makes a formatting error in the financial transaction, they must correct and successfully re-submit that transaction within three years of the original transaction date.

For example ...

If a beneficiary turns 8 years old on June 9, 2006, the subscriber must apply for the Alberta \$100 Grant for 8 year olds within 6 years of the beneficiary's birthday.

If application for the Alberta Grants is made on June 9, 2012, this is considered to be the original transaction date.

The RESP promoter must submit the transaction requesting the Alberta Grants (or make any corrections to the transaction) within three years of the original transaction date to ensure that it is successfully processed by June 9, 2015.

If the RESP promoter fails to successfully submit or correct the transaction within the three-year period, the CESP system will process the transaction but will not pay the requested Alberta Grants.

5.5. Request for Ministry Review of a Denied Application or to Prevent the Denial of an Application

Under certain circumstances, RESP subscribers can request a Ministry Review for reconsideration of the decision to deny their application for the Alberta Grants, if there is a compelling reason to do so.

Subscribers may also request a Ministry Review prior to applying for Alberta Grants if they moved from Alberta and no longer meet the Alberta residency requirements, but were residents of Alberta at the time of the child's birth or eligible age (8, 11 and 14 years of age).

Subscribers may request the Government of Alberta, for:

- a time extension for a missed Alberta Grant application (e.g. an application for the Alberta \$500 Grant was made after the child's sixth birthday); and
- consideration of residency situations for the parent or legal guardian.

The ministerial review process occurs directly between the subscriber and the Government of Alberta, as follows:

Subscriber:

1. The subscriber downloads the Request for Ministry Review – Alberta Centennial Education Savings Grant from the following Web address:
<http://www.esdc.gc.ca/eng/jobs/student/promoters/index.shtml#tab4>

2. The subscriber completes the form and sends it to :

Office of the Minister
Alberta Ministry of Enterprise and Advanced Education
Government of Alberta
P.O. Box 85, Station Main
Edmonton, Alberta
T5J 2G9

If the request receives a favourable review, the subscriber can return to the RESP promoter (with the letter of approval) to recommence or complete the Alberta Grants application process. See section 4. **Applying for the Alberta Grants**, earlier in this chapter.

6. Repaying the Alberta Grants

Certain circumstances will require a repayment of Alberta Grants. In such cases, the RESP promoter must:

1. Recognize and identify those situations that require repayment of Alberta Grants.
2. Determine the amount of Alberta Grants to be repaid.
3. Submit the required financial transaction(s) to CESP, indicating the reason for the repayment and the amount to be repaid.

6.1. Repayment Circumstances

There are specific events that trigger the repayment of Alberta Grants. These include the following:

- The RESP is terminated and the Alberta Grants were not paid out as part of an EAP.
- The registration for the RESP is revoked.
- All or part of the Alberta Grants were withdrawn from the RESP and not used as an EAP.
- The transfer of assets to another RESP did not meet the conditions for an eligible transfer in respect of the Alberta Grants. See **Chapter 3-1: RESP Transfers and the Education Savings Incentives**.
- An application for the Alberta Grants contained false information.

Note: *If a family moves away from Alberta after receiving Alberta Grants payments, they **will not** have to repay any grant monies received.*

6.2. Determining the Repayment Amount

If Alberta Grants must be repaid, the amount repayable is the lesser of:

- The total balance of the Alberta Grants account (immediately before the triggering event).

OR

- The fair market value of the property held in the RESP (immediately before the triggering event).

6.3. Submitting Repayment Information to CESP

Financial transactions (Record Type 400) are used to record the movement of funds into or out of the RESP (with the exception of earnings). A repayment of Alberta Grants is considered to be a financial transaction.

When submitting repayment information to the CESP, the RESP promoter will submit the following transaction to the CESP system:

- RT 400, Transaction Type 21 (Grant repayment)

In addition, the transaction will identify the Repayment Reason, with one of the following codes, according to the ITS:

- 02 AIP (Accumulated Income Payment)
- 03 Contract termination
- 04 Ineligible transfer
- 05 Ineligible beneficiary replacement
- 06 Payment to an educational institution
- 07 Revocation (of plan)
- 08 Ceases to meet Sibling-Only condition
- 09 Deceased (beneficiary)
- 11 Other

Note: Repayment Reasons 01 and 10 do not apply to the Alberta Grants. Therefore they are not included in this list.

For more detailed information about how transactions are processed between the RESP promoter and the CESP system, See **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)**.

6.4. How Funds are Used to Repay the Alberta Grants

The repayment transactions submitted to CESP will depend on whether or not there are sufficient funds in the RESP at the time repayment is required.

6.4.1. When Sufficient Funds Exist in the RESP

If there are sufficient funds, the RESP promoter will repay the Alberta Grants and any other incentives from the corresponding RESP account(s).

For example ...

Repayment Reason: The Alberta Grant will not be used as an EAP by the beneficiary or eligible alternate beneficiary and the plan is terminated. The RESP individual (non-family) plan looks like this:

RESP Market Value	Earnings	Contributions	Alberta Grants	CESG
\$27,275	\$9,375	\$14,000	\$300	\$3,600
Alberta Grants Repayable: \$300				
CESG Repayable:		\$3,600		

Based on the above example, the RESP promoter will withdraw the funds from the RESP and submit the following repayment transaction to CESP:

RT 400-21(03) **Grant repayment with a reason code of (03),**
identifying a contract termination, and:

\$300 in the Alberta Grants amount field identifying the repayment amount.

\$3,600 in the CESG amount field identifying the repayment amount. *

* **Note:** The CESG must also be repaid because the plan is being terminated.

6.4.2. When Insufficient Funds Exist in the RESP and the Plan is Terminated

When the RESP is terminated, any Alberta Grants (or any other incentive), must be repaid.

If the RESP has experienced a loss and there are insufficient funds to cover the total amount of grant and/or bond repayable, the RESP promoter must submit a **Termination Adjustment Transaction** to CESP to advise them of the shortfall.

Losses are first attributed to earnings, and then to contributions. Once these accounts are depleted, any remaining losses are apportioned equally across the incentive accounts in the RESP.

The following example illustrates how the RESP promoter will determine the amount and repayment transaction that must be submitted to CESP when the Alberta Grants and CESG have been paid into the RESP.

For example ...

Repayment Reason: The RESP is terminated. The RESP individual (non-family) plan looks like this:

RESP Market Value	Earnings	Contributions	Alberta Grants	CESG
\$1,500	\$0	\$0	\$800	\$1,200

Note: Losses in the plan have been applied to the earnings and then to the contributions. Therefore, these accounts show a balance of \$ 0.

Alberta Grants:	\$ 800
CESG Repayable:	<u>\$ 1,200</u>
Total Repayable	\$ 2,000

Based on this example, the total amount repayable (\$2,000) exceeds the market value of the RESP (\$1,500). Therefore, the following calculations are required:

1. Determine the remaining amount of incentives in the RESP:

$$\text{\$800 (Alberta Grants)} + \text{\$1,200 (CESG)} = \text{\$2,000}$$

2. Determine the percentage represented by each incentive amount in the RESP:

Alberta Grants	/	Total Value of Incentives	=	% of Alberta Grants
\$ 800	/	\$2,000	=	40%
CESG	/	Total Value of Incentives	=	% of CESG
\$1,200	/	\$2,000	=	60%

3. Apply these percentages to the RESP Market Value of \$1,500:

Market Value	x	% of Alberta Grants	=	Alberta Grants Repayable
\$1500	x	40%	=	\$ 600
Market Value	x	% of CESG	=	CESG Repayable
\$1500	x	60%	=	\$ 900

The following transactions are used to submit repayment information:

- RT 400-21(03)** **Grant repayment** with a **reason code of (03)**, identifying a contract termination, and:
- \$600** in the Alberta Grants amount field identifying the Alberta Grant repayment amount.
- \$900** in the CESG amount field identifying the CESG repayment amount.

Next, it will be necessary to determine the shortfall and submit the appropriate Adjustment Transactions to CESP.

To determine the shortfall:

Total Value of Incentives – Repayment Amount = Adjustment Amount

Alberta Grants:	\$ 800	–	\$600	=	\$200
CESG:	\$1,200	–	\$900	=	\$300

To account for the difference of \$500 (\$200 + \$300), the RESP Promoter must also send a Termination Adjustment Transaction to inform CESP of the shortfall, ***but only when the RESP is terminated***.

The following transactions are used to submit this information:

- RT 400-22** **Termination Adjustment**, identifying:
- \$200 as the amount of the shortfall applied to the Alberta Grants.
- \$300 as the amount of the shortfall applied to the CESG.

Even if the Alberta Grants repayment is \$0, as a result of losses in RESP earnings, contributions and incentives, the repayment transaction must still be reported to CESP.

Note: In most cases, the RESP promoter's financial system will automatically calculate the amount of incentive(s) repayable. However, understanding how to determine the amount to be repaid will help RESP promoters to communicate this information to their clients.

7. Other Transactions Involving the Alberta Grants

The RESP promoter may also be asked to handle other transactions involving the Alberta Grants. These include:

- Transferring funds (including the Alberta Grants) from one RESP to another.

See **Chapter 3-1: RESP Transfers and the Education Savings Incentives**

- Responding to a request for an EAP and calculating the Alberta Grants portion of the EAP.

See **Chapter 3-2: Post-Secondary Education and Educational Assistance Payments (EAPs)**



Important notice: This document is revised regularly. Visit the following address for the latest version:
http://www.esdc.gc.ca/eng/jobs/student/promoters/user_guide/index.shtml

Canada Education Savings Program – RESP Provider User Guide

CHAPTER 2-5

Saskatchewan Advantage Grant for Education Savings (SAGES)

The Government of Saskatchewan introduced the Saskatchewan Advantage Grant for Education Savings (SAGES) under a designated provincial program in 2013. In this document, the “SAGES” acronym means the education savings incentive paid under *The Saskatchewan Advantage Grant for Education Savings Act*.

Employment and Social Development Canada (ESDC) - Canada Education Savings Program (CESP) - has partnered with the Government of Saskatchewan to administer this provincial education savings incentive.

Registered Education Savings Plan (RESP) promoters must be authorized by ESDC to offer SAGES or any other education savings incentive administered by ESDC.

See **Appendix C** for a list of acronyms and terms used in this guide.

In this chapter

1. SAGES – An Overview	2 – 5 – 2
2. Eligibility Criteria	2 – 5 – 3
3. Calculating SAGES Amounts	2 – 5 – 5
4. Annual SAGES Limits and SAGES Grant Room	2 – 5 – 6
5. Lifetime SAGES Limits	2 – 5 – 8
6. Applying for SAGES	2 – 5 – 9
7. Receiving and Depositing SAGES	2 – 5 – 12
8. Repaying SAGES	2 – 5 – 16
9. Other Transactions Involving SAGES	2 – 5 – 20

1. SAGES – An Overview

SAGES is an education savings incentive that is paid:

- by the Government of Saskatchewan;
- from a **designated provincial program** administered by ESDC;
- into an RESP;
- at a rate of 10% of RESP contributions in respect of eligible beneficiaries; and
- for contributions made on or after January 1, 2013.

Saskatchewan matches 10% of RESP contributions in SAGES amounts, up to \$250 per beneficiary for each eligible year, until the end of the calendar year in which a beneficiary turns 17. Total SAGES payments per beneficiary could reach \$4,500 if the beneficiary is eligible from birth until age 17.

While each eligible beneficiary's SAGES grant room increases by \$250 per eligible year, the annual SAGES amount that can be paid per beneficiary is limited to the lesser of:

- the accumulated SAGES grant room for the beneficiary; and
- the SAGES annual limit of \$500.

1.1. How it Works

SAGES payments are based on the following requirements:

- **An RESP:** A subscriber must meet with a participating promoter, open an RESP and name an eligible beneficiary(ies). See **Chapter 1-4: Registered Education Savings Plans (RESPs)**.
- **Eligibility criteria:** The subscriber and participating promoter review the SAGES eligibility criteria. See **2. Eligibility Criteria** later in this chapter.
- **Application Process:** The subscriber asks the promoter to apply for SAGES for the beneficiary. See **6. Applying for SAGES** later in this chapter.
- **RESP Contributions:** The RESP receives SAGES payments when the subscriber makes contributions to the RESP in respect of the beneficiary.
- **Educational Assistance Payments (EAPs):** When the beneficiary is enrolled in a post-secondary education program, the subscriber can request an EAP, which is paid from the earnings and education savings incentives (including SAGES) in the RESP. See **Chapter 3-2: Post-Secondary Education and Educational Assistance Payments (EAPs)**.

2. Eligibility Criteria

Consider the following eligibility criteria to determine if an RESP contribution is eligible for SAGES payments:

- ☐ Has the subscriber established an RESP and named a beneficiary?
- ☐ Does the promoter offer SAGES?
- ☐ Is the RESP either an individual RESP or a family RESP in which each beneficiary is a brother or sister of every other beneficiary?
- ☐ Was the beneficiary a resident of Saskatchewan when the RESP contribution was made?
- ☐ Was the RESP contribution made on or after January 1, 2013?
- ☐ Was the RESP contribution made on or before December 31st of the year in which the beneficiary turns 17?

*If you can answer “Yes” to all of these questions,
the contribution may be eligible for **SAGES**.*

2.1. RESP Contributions and Withdrawals

A subscriber must make RESP contributions in respect of an eligible beneficiary to receive SAGES payments in an RESP. These payments are subject to annual and lifetime limits. For more information, see **4. Annual SAGES Limits and SAGES Grant Room** later in this chapter.

Consequence of Withdrawing Contributions

The withdrawal of contributions may trigger a repayment of SAGES. For more information, see **9. Repaying SAGES** later in this chapter.

2.2. Contributions and the SAGES Age Limit

To qualify for SAGES payments, contributions must be made to an RESP, in respect of an eligible beneficiary, on or before December 31 of the year in which the beneficiary turns 17.

2.3. Contributions for 16 and 17 Year-Old Beneficiaries

Special conditions apply for RESP contributions made in respect of beneficiaries who are 16 and 17 years old. For these contributions to be eligible for SAGES, one of the following conditions must be satisfied:

- A minimum of \$100 in annual RESP contributions, in respect of the beneficiary, must have been made in any four years (consecutive or not and not withdrawn) before the end of the calendar year the beneficiary turned 15.

OR

- A minimum of \$2,000 in RESP contributions, in respect of the beneficiary, must have been made (and not withdrawn) before the end of the calendar year the beneficiary turned 15.

Example 1 – Four years of at least \$100 in contributions per year

Liam's grandfather opened his RESP for him on his 12th birthday (January 6, 2009) and made \$10 in pre-authorized contributions per month as summarized in the table below.

Year	Beneficiary Age	Yearly Contributions
2009	12	\$120
2010	13	\$120
2011	14	\$120
2012	15	\$120

Liam satisfies the 16 and 17 year rule for SAGES eligibility for RESP contributions at the age of 16 and 17, because at least \$100 per year in RESP contributions were made for Liam in at least 4 separate years before the end of the calendar year in which Liam turned 15.

Example 2 – At least \$2,000 in contributions

Nancy's parents opened her only RESP for her on March 3, 2011 when she was 14 years old. They made \$1,000 in annual RESP contributions for her in 2011 and 2012, as summarized in the table below.

Year	Beneficiary Age	Yearly Contributions
2011	14	\$1,000
2012	15	\$1,000

Nancy satisfies the 16 and 17 year rule for SAGES eligibility for RESP contributions at the age of 16 and 17, because at least \$2,000 in RESP contributions were made for Nancy before the end of the calendar year in which Nancy turned 15.

3. Calculating SAGES Amounts



Calculation

SAGES Formula

$$\text{RESP Contribution} \times 10\% = \text{SAGES Amount}$$

The amount of SAGES paid into an RESP is 10% of the qualifying RESP contributions.

Example

Liam's grandfather opened his only RESP for him on his 12th birthday (January 6, 2009) and made \$10 in pre-authorized contributions per month as summarized in the table below.

Year	Beneficiary Age	Yearly Contributions	SAGES Amount
2009	12	\$120	unavailable
2010	13	\$120	unavailable
2011	14	\$120	unavailable
2012	15	\$120	unavailable
2013	16	\$120	\$12
2014	17	\$120	\$12

Liam's contributions prior to 2013 did not attract any SAGES amounts because the Government of Saskatchewan began paying SAGES for contributions made on January 1, 2013 or later. For each monthly contribution of \$10 in 2013 or later, Liam's RESP received \$1 in SAGES payments (10% of \$10), for a total of \$12 in SAGES payments per year.

Note that Liam also satisfies the required eligibility criteria for SAGES at the age of 16 and 17. For more information, see **2.3. Contributions for 16 and 17 Year-Old Beneficiaries** earlier in this chapter.

Promoter Fees and the SAGES Account

Fees are not to be charged to the education savings incentive portions of an RESP.

4. Annual SAGES Limits and SAGES Grant Room



Key Concept

SAGES grant room increases annually by \$250 per beneficiary.

Since January 1, 2013, \$250 is added annually to the SAGES grant room for each eligible child (or since birth if the child was born after 2013). Unused SAGES grant room can accumulate until the end of the calendar year in which the child turns 17, even if the child was not named as an RESP beneficiary.

If contributions in respect of a beneficiary (across all RESPs in which the beneficiary is named) are insufficient to attract the full annual amount added to the beneficiary's SAGES grant room, the difference (unused SAGES grant room) can be carried forward and added to the accumulated SAGES grant room for use in future years.



Key Concept

Annual SAGES payments are limited to \$500 per beneficiary.

While subscribers can potentially catch up on the unused SAGES grant room for a beneficiary, the maximum annual SAGES amount that can be paid into RESPs in respect of a particular beneficiary is limited to \$500.

The annual SAGES amount payable per beneficiary is the lesser of the following two amounts:

- Accumulated SAGES grant room for the beneficiary, and
- SAGES annual limit of \$500

4.1. Calculating SAGES Grant Room and Carry Forward



Calculation

The following formula must be used to calculate the amount of unused SAGES grant room that can be carried forward to the next year:

Carry Forward Formula

SAGES grant room to carry forward next year	=	SAGES grant room at the start of this year	–	SAGES amount paid this year
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When SAGES grant room is carried forward from previous years, new RESP contributions may qualify for more than the \$250 amount that is added to the SAGES grant room per beneficiary each year.

Subscribers can catch up on unused SAGES grant room in these situations by making more than \$2,500 in RESP contributions each year. However, SAGES payments are limited to an annual amount of \$500 per beneficiary across all RESPs in which a beneficiary is named.

Example

While Jonathon was eligible to receive SAGES in 2013, his parents did not open his individual RESP until 2017 when he was 12 years old. They were able to catch up on four years of unused SAGES grant room by the time Jonathon turned 15 by making at least \$5,000 in annual contributions each year, as illustrated in the following table. Jonathon was not named in any other RESP, which makes it possible to calculate unused SAGES amounts to carry forward based only on the contributions made for him in this RESP.

Year	SAGES Grant Room Carried Forward	Annual Amount Added to SAGES Grant Room	Accumulated SAGES Grant Room Before Contributions	Annual Contribution Amount	SAGES Paid Into RESP	Unused SAGES Grant Room to Carry Forward
2013	-	\$ 250	\$ 250 \$0 + \$250	\$0	\$0	\$ 250 \$250 – 0
2014	\$ 250	\$ 250	\$ 500 \$250 + \$250	\$0	\$0	\$ 500 \$500 – 0
2015	\$ 500	\$ 250	\$ 750 \$500 + \$250	\$0	\$0	\$ 750 \$750 – 0
2016	\$ 750	\$ 250	\$1,000 \$750 + \$250	\$0	\$0	\$1,000 \$1,000 – 0
2017*	\$1,000	\$ 250	\$1,250 \$1000 + \$250	\$10,000	\$500	\$ 750 \$1,250 – \$500
2018	\$ 750	\$ 250	\$1,000 \$750 + \$250	\$5,000	\$500	\$ 500 \$1,000 – \$500
2019	\$ 500	\$ 250	\$ 750 \$500 + \$250	\$5,000	\$500	\$ 250 \$750 – \$500
2020	\$ 250	\$ 250	\$ 500 \$250 + \$250	\$5,000	\$500	\$ 0 \$500 – \$500

* **Note:** Even though there is \$10,000 in contributions for 2017, the SAGES amount paid would not exceed the maximum annual SAGES limit of \$500 that year. His parents could not catch up on unused SAGES grant room until the year 2020, even if they contributed more than \$5000 per year after 2017.

4.2. SAGES Grant Room and Beneficiary Residency Requirements

SAGES grant room can accumulate even when a beneficiary is not a resident of Saskatchewan. However, promoters can request SAGES on a contribution only if the beneficiary was a resident of Saskatchewan when the contribution was made.

Subscribers are responsible for informing their promoters about changes to beneficiary residency status. Consequently, promoters must cease to request new SAGES payments for a beneficiary when a subscriber informs them that a beneficiary no longer satisfies the residency criteria.

5. Lifetime SAGES Limits



Key Concept

The maximum lifetime SAGES limit is \$4,500 per beneficiary.

If a subscriber opens an RESP in 2013 (or later) for an eligible beneficiary born that year and contributes \$2,500 annually until the end of the year in which the beneficiary turns 17, these contributions may be eligible for the maximum lifetime SAGES amount of \$4,500 for that beneficiary.

Breakdown

\$ 2,500	x	18 years	=	\$45,000 in contributions
\$ 250	x	18 years	=	\$ 4,500 in SAGES payments (10% of \$45,000)

5.1. SAGES Amounts in Educational Assistance Payments (EAPs)

Each beneficiary can attract up to the maximum lifetime SAGES limit of \$4,500. This limit applies to the total amount of SAGES paid in respect of the beneficiary into all RESPs in which the beneficiary is named.

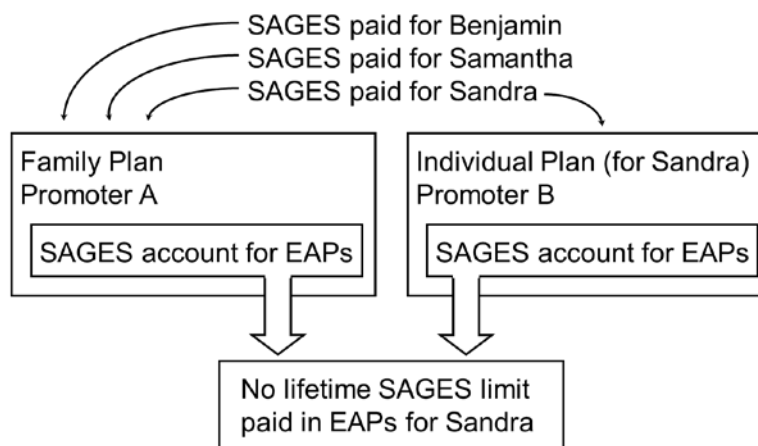
However, every beneficiary named in a family RESP has access to the full SAGES amount in the plan, even if some SAGES amounts paid (or transferred) into the plan were originally paid in respect of other beneficiaries. Consequently, beneficiaries may receive more than \$4,500 of accumulated SAGES amounts in their EAPs throughout their post-secondary studies. See also **7.2 Sharing SAGES and Earnings** later in this chapter.

Example

Sandra is named in the following RESPs:

- Individual RESP with Promoter A
- Family RESP with Promoter B

Sandra is not limited in the amount of SAGES she can receive in EAPs throughout her post-secondary studies. She can even use SAGES amounts that were originally paid into the family RESP in respect of her siblings.



6. Applying for SAGES

6.1. The Application Process – SAGES

Who is involved?

The following key players participate in the SAGES application process:

- participating promoter
- subscriber
- custodial parent or legal guardian

The promoter facilitates SAGES applications by:

- establishing and requesting registration of the Education Savings Plans (ESPs) initiated by subscribers;
- helping subscribers identify incentives for which beneficiaries qualify by providing and explaining eligibility criteria; and
- assisting subscribers to complete SAGES application forms.

Note: *The promoter must be authorized to offer SAGES.*

The following steps are required to receive SAGES payments in an RESP.

1. **Subscriber:** The subscriber approaches a promoter, authorized to offer SAGES, to open and register an ESP and name a beneficiary.
2. **Promoter:** The promoter obtains the Social Insurance Numbers (SINs) for the subscriber and the beneficiary and establishes the ESP.

Opening and Registering the ESP

The promoter must notify the parent or legal guardian, within 90 days of establishing the plan, that an ESP has been opened for the beneficiary. CESP is responsible for communicating requests to register ESPs to the Canada Revenue Agency (CRA). CRA notifies promoters directly once plans have been registered. For more information, see **Chapter 1-4: Registered Education Savings Plans (RESPs)**.

3. **Promoter:** The promoter reviews eligibility criteria with the subscriber to identify whether the beneficiary qualifies for SAGES. See **2. Eligibility Criteria** earlier in this chapter.
4. **Promoter:** Completes the SAGES application form with the subscriber and obtains the necessary information and signatures.

Accurate Information Prevents Delays in SAGES Payments

When completing the SAGES application form, it is important to verify the accuracy of the information. Information on the application form is used to electronically submit SAGES requests to the CESP. Inaccurate information will result in the transaction being returned and will delay SAGES payments. For more information, see **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)**.

5. **Subscriber:** The subscriber deposits contribution(s) to the RESP. Special conditions apply when a beneficiary is 16 and 17 years old. See **2.3 Contributions for 16 and 17 Year-Old Beneficiaries**.

RESP Contribution Limits per Beneficiary

The promoter may remind subscribers that RESP contributions, in respect of each beneficiary, are limited to a lifetime limit of \$50,000 (since 2007).

6. **Promoter:** The promoter processes the application form according to established procedures.

What Happens to Information Collected on Application Forms?

The information is entered into the promoter's information system and then transmitted electronically to the CESP to request registration of the ESP and to request SAGES payments. See **Chapter 1-3: The CESP System and Interface Transaction Standards**.

Promoters can also use the optional **6.2 Post-Application Checklist** (below) to provide subscribers with helpful reminders.

6.2. Post-Application Checklist

- ☐ Confirm that all information has been accurately recorded onto the SAGES application form.

Accurate information ensures timely SAGES payments. Inaccurate information may delay payments.

- ☐ Remind subscribers of the \$50,000 lifetime contribution limit per beneficiary, informing them of the need to coordinate contributions if they are aware of other RESPs that have been established for the beneficiary.

This may avoid potential penalty taxes due to overcontributions.

- ☐ Remind subscribers that the CESP may receive multiple SAGES requests in respect of the beneficiary because multiple RESPs can be established for a beneficiary.

If the CESP receives two (or more) SAGES requests for the same beneficiary, SAGES will be paid to the first request submitted and successfully processed by the CESP system.

For more information, see **7.1 Order of Payments** later in this chapter.

- ☐ If a subscriber is not the beneficiary's parent or legal guardian, advise the subscriber that the promoter must notify the parent or legal guardian within 90 days that an ESP has been established.
- ☐ Advise subscribers that they will be notified by the promoter once the ESP has been registered with CRA.
- ☐ Advise subscribers that they will be notified of SAGES payments by the promoter.

6.3. Requesting SAGES Payments for RESP Contributions

Promoters report each RESP contribution to the CESP system in an electronic record (RT 400-11). To request a SAGES payment for one of these contributions, they must also submit a SAGES request record (RT 410-30), in which they identify the corresponding contribution.

For more information, see the CESP Interface Transaction Standards (ITS) on the ESDC Web site.

7. Receiving and Depositing SAGES

The CESP sends a record (RT 910), in the monthly Transaction Processing Report sent to each promoter to acknowledge the successful processing of each SAGES request. This report indicates:

- the SAGES amount paid on successful requests; and
- refusal reasons if the full SAGES amount is not paid (See **7.3 Reasons for Non-Payment of SAGES** below).

Once the CESP sends SAGES payments to promoters, the promoter must:

1. Deposit each SAGES payment into the appropriate **RESP account** in respect of each beneficiary.

The promoter tracks and manages all RESP transactions using various RESP accounts. The promoter must update the SAGES account for each SAGES payment made to an RESP.

2. Notify the subscriber (via account statements) about all SAGES amounts deposited into the RESP.

7.1. Order of Payments

Since a child can be a beneficiary in more than one RESP, the CESP system responds to SAGES requests on a first-come, first-served basis.

Example

Erin is named in two Individual RESPs. One RESP is with Promoter A and the other is with Promoter B. Erin had \$150 in SAGES grant room available before the following transactions were submitted for processing in April 2014.

Promoter A		Promoter B	
Contribution Transaction	SAGES Request	Contribution Transaction	SAGES Request
A \$1,000 contribution was made for Erin on March 3, 2014	A SAGES request was made for this contribution on March 3, 2014	A \$1,000 contribution was made for Erin on March 10, 2014	A SAGES request was made for this contribution on March 10, 2014

As both SAGES requests were processed for the same beneficiary in the same processing month, the CESP will process the SAGES request with the earliest transaction date first. Therefore, in this example the Promoter A SAGES request will be processed before the Promoter B SAGES request.

Promoter A would receive a \$100 SAGES payment, the full 10% SAGES amount on the \$1,000 contribution. This would reduce Erin's SAGES grant room from \$150 to \$50.

The other SAGES request made by Promoter B would receive a SAGES payment of only \$50, the remaining amount available in Erin's SAGES grant room at that time. As the full SAGES amount (10% of \$1000) was not paid for this contribution, Promoter B will receive a refusal reason 1 (annual limit exceeded) for this SAGES request in their Transaction Processing Report.

Multiple SAGES Requests for the same contribution

When multiple SAGES requests are made for the same contribution in respect of the same beneficiary, as a result of transaction errors or adjustments in the system, each request will be processed but SAGES will be paid only for the last successfully processed request. This would occur even if these SAGES requests are processed in different months.

7.2. Sharing SAGES and Earnings

All beneficiaries named in an RESP can share the SAGES and RESP earnings in EAPs if they satisfy EAP eligibility criteria. See also **5.1 SAGES Amounts in Educational Assistance Payments (EAPs)** earlier in this chapter.

7.2.1. Family RESPs

All SAGES payments to a family RESP are pooled together in one SAGES account. If a beneficiary named in a family RESP is eligible to receive an EAP, this SAGES account is available to that beneficiary. Furthermore, any earnings generated by SAGES (as well as earnings generated by any other component of the RESP) can also be shared in an EAP for any eligible beneficiary named in the RESP.

7.3. Reasons for Non-Payment of SAGES

To ensure timely SAGES payments into RESPs in respect of eligible beneficiaries, the promoter must:

- help subscribers to accurately complete the SAGES application form; and
- submit information collected on these forms, along with other required data, to the CESP via electronic transactions. These transactions must pass all formatting and business rule validation according to the CESP Interface Transaction Standards (ITS).

For more information about the types of transactions and reports exchanged between Promoters and the CESP, see **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)**.

7.3.1. When Transactions are Rejected

The CESP system rejects promoter transactions that contain errors and generates corresponding error codes in a monthly Transaction Error Report (RT 800). These reports are sent electronically to each promoter's head office. Promoters are responsible for correcting any errors and resubmitting corrected transactions to the CESP.

Transaction Error Reports identify SAGES requests that were rejected due to either missing information or a failure to pass formatting and business rules.

For more information, see **Appendix E: Understanding Error Codes**.

7.3.2. When Payments are Refused

The CESP system sends a monthly Transaction Processing Report to each promoter's head office. This report acknowledges receipt of all processed transactions, including processed SAGES requests (RT 910). While this report would indicate the amounts paid for all successful SAGES requests, it would also identify any SAGES requests for which payment was **refused** (or the full SAGES amount was not paid).

The CESP system refuses SAGES requests if they do not comply with business rules. For example, once the annual SAGES limit has been paid in respect of a particular beneficiary, any additional SAGES requests for the beneficiary that year would be processed, but the corresponding SAGES payments would be refused. See also **4. Annual SAGES Limits and SAGES Grant Room** earlier in this chapter.

For more information, see **Appendix F: Understanding Refusal Reasons**.

Submitting a Correction to the CESP system

To submit a correction to a financial transaction, the promoter must first submit a reversal transaction followed by a transaction with the corrected information. Reversals indicate that the original transaction did not occur as reported.

For more information, refer to the *CESP Interface Transaction Standards (ITS)*, available on the ESDC Web site.

7.4. Time Constraints for SAGES Payments

SAGES requests may be refused due to time constraints and receive one of the following refusal reasons:

- Refusal Reason D (Late Transaction)
- Refusal Reason O (Late SAGES Request)

The CESP system uses SAGES request (RT 410-30) transaction dates to generate these 2 refusal reasons. Promoters must use the most recent of the following dates to determine the transaction date of a SAGES request:

- date that the subscriber completes a SAGES application form; or
- date that the subscriber makes the corresponding contribution

7.4.1. Refusal Reason D (Late Transaction)

When promoters submit incorrect information or make formatting errors in their SAGES request transactions (RT 410-30), they must correct and resubmit those transactions to the CESP in another file. If a file is sent more than 3 years after the original transaction date of a SAGES request in the file:

- the SAGES transaction will be processed by the CESP system;
- SAGES will not be paid on the associated contribution; and
- the promoter will receive a refusal reason D (Late Transaction) in a record (RT 910) of their Transaction Processing Report.

For example ...

A SAGES request with a transaction date of November 2, 2013 was rejected due to an error and the CESP system returned a Transaction Error Report record (RT 800) to the promoter in response to this request.

To avoid a refusal reason D and obtain a SAGES payment for this request, the promoter must send a file with the corrected SAGES request transaction to the CESP system within three years (November 2, 2016) after the original SAGES transaction date and this transaction must be successfully processed by the CESP.

7.4.2. Refusal Reason O (Late SAGES Request)

Subscribers have up to three years after the date of a contribution to apply for a SAGES payment (RT 410-30) on the contribution (RT 400-11). If this condition is not met:

- the SAGES transaction will be processed by the CESP system;
- SAGES will not be paid on the contribution; and
- the promoter will receive a refusal reason O (Late SAGES Request) in a record (RT 910) of their Transaction Processing Report.

For example ...

An RESP promoter was in the process of updating their system to offer SAGES, when a subscriber made an RESP contribution on October 14, 2013. To avoid receiving a refusal reason O for the SAGES request on this contribution, the following must occur before October 14, 2016:

- The subscriber completes a SAGES application form with an eligible promoter.

8. Repaying SAGES

SAGES must be repaid to ESDC as a result of:

- **a withdrawal of contributions** (most common repayment reason); or
- **other repayment circumstances.**

The type of circumstance determines the method used to calculate the SAGES amount to be repaid.

Repayment Consequences

Repayment of SAGES will result in loss of the beneficiary's SAGES grant room, which will not be restored. For more information, see **4. Annual SAGES Limits and SAGES Grant Room** earlier in this chapter.

8.1. The Repayment Process

The promoter must:

1. recognize and identify circumstances that require SAGES repayments;
2. determine SAGES amounts to repay; and
3. submit the required financial transaction(s) to the CESP, indicating the amounts and repayment reasons. See **8.4 Submitting Repayment Information to CESP** later in this chapter.

Promoters initiate a SAGES repayment from an RESP by submitting a transaction to the CESP indicating the amount of SAGES to repay and the repayment reason. The CESP makes monthly direct deposits for each promoter, which includes all incentive payments made for all successfully processed transactions submitted by the promoter in the previous month. All repayment amounts for the previous month are subtracted from the amount that would normally be paid to promoters in their next direct deposit.

8.2. SAGES Repayments On Contribution Withdrawals

SAGES encourages families to save for their child's post-secondary education because RESP contributions are required to receive this education savings incentive. Specific rules discourage subscribers from withdrawing their contributions until beneficiaries enrol in post-secondary education.

A subscriber can withdraw RESP contributions, without having to repay SAGES, only if:

- a beneficiary of the RESP is eligible to receive an EAP;

OR

- the withdrawal is to correct an RESP overcontribution and the amount of the RESP overcontribution for this beneficiary, across all RESPs, is \$4,000 or less at the time of the withdrawal.

In any other instance, the withdrawal of RESP contributions requires a SAGES repayment.

Withdrawals to Correct an Overcontribution

The subscriber must complete and provide the promoter with the following form: *Subscriber Statement for an RESP Overcontribution Withdrawal of \$4,000 or Less*. The completed form must be kept with the subscriber's file. See **Appendix D: Forms Index – Education Savings Incentives**.

8.2.1. Calculating SAGES Repayments for Contribution Withdrawals

When a SAGES repayment must be repaid from an RESP due to a withdrawal of RESP contributions, the promoter must repay the lesser of the following amounts:

- 10% of the withdrawal amount
- AND
- SAGES account balance before the withdrawal

8.3. Other Repayment Circumstances

In addition to the withdrawal of contributions, there are a number of other circumstances in which SAGES must be repaid.

The promoter must also repay the SAGES in an RESP when:

- The RESP is terminated.
- The registration for the RESP is revoked.
- An accumulated income payment (AIP) is made.
- A payment to a designated educational institution is made.
- An EAP is made to an individual who is not a beneficiary under the RESP.
- An ineligible transfer occurs.
- An ineligible beneficiary replacement occurs.

8.3.1. Calculating the Repayment Amount – Other Circumstances

If the promoter repays SAGES from an RESP for any of the above reasons, the amount to repay is equal to the lesser of:

- the total in the SAGES account immediately before the occurrence;
- AND
- the fair market value of the property held in the RESP, immediately before the occurrence.

8.4. Submitting Repayment Information to CESP

Financial transactions (Record Type 400) are used to record the movement of funds into or out of the RESP (with the exception of earnings). A SAGES repayment (or any other incentive administered by ESDC) is considered to be a financial transaction.

When submitting SAGES repayment information to the CESP, the promoter will submit the following transaction to the CESP system:

- RT 400, Transaction Type 21 (Grant repayment)

In addition, the transaction will identify the SAGES Repayment Reason (or flag), with one of the following codes:

- 01 Contribution withdrawal
- 03 Contract termination
- 04 Ineligible transfer
- 07 Revocation (of plan)
- 08 Ceases to meet Sibling-Only condition
- 10 Overcontribution withdrawal
- 12 Non-resident

In all repayment transactions, promoters must also report the SAGES amount being repaid to the CESP. For more detailed information about how transactions are processed between the promoter and the CESP system, see **Chapter 1-3: The CESP System and Interface Transaction Standards**.

8.5. How Funds are Used to Repay SAGES

When processing a repayment, promoters must take into consideration whether or not there are sufficient funds in the RESP at the time repayment is required.

8.5.1. When Sufficient Funds Exist in the RESP and the Plan is Terminated

If there are sufficient funds in the RESP, the promoter will repay the SAGES and any other incentives from the corresponding RESP account(s).

Example

A subscriber terminated an Individual RESP with the following account balances because the beneficiary will never be eligible for an EAP. All incentives must be repaid because the plan is terminated.

RESP Market Value	Earnings	Contributions	SAGES	CESG
\$27,575	\$9,375	\$14,000	\$1,400	\$2,800

SAGES repayable	=	\$1,400
CESG repayable	=	\$2,800
Total Repayable	=	\$4,200

In this example, the promoter would withdraw the funds from the RESP and submit the following Grant repayment transaction (RT 400-21) to CESP:

RT 400-21(03): Reason code = 03 (Contract termination)
\$1,400 in the SAGES amount field
\$2,800 in the CESG amount field

8.5.2. When Insufficient Funds Exist in the RESP and the Plan is Terminated

When the RESP is terminated, SAGES (and all other incentives in the plan that are administered by ESDC) must be repaid.

If the RESP has experienced a loss and there are insufficient funds to cover the total SAGES amount repayable, the promoter must submit a **Termination Adjustment Transaction** to CESP to report the shortfall.

Losses are first attributed to earnings, and then to contributions. Once these accounts are depleted, any remaining losses are apportioned equally across the incentive accounts in the RESP.

Example

A subscriber terminated an Individual RESP with the following account balances because the beneficiary will never be eligible for an EAP. All incentives must be repaid because the plan is terminated.

RESP Market Value	Earnings	Contributions	SAGES	CESG
\$4,000	\$0	\$14,000	\$1,400	\$2,800

First, determine the incentive amounts that would be repayable if there are sufficient funds in the RESP:

SAGES repayable	=	\$1,400 (if there are sufficient funds)
CESG repayable	=	\$2,800 (if there are sufficient funds)
Total Repayable	=	\$4,200

In this example, the total amount of incentives that would normally be repayable (\$4,200) exceeds the fair market value of the RESP (\$4,000). Therefore, the following calculations are required to determine the actual repayable amount for each incentive:

1. Determine the total amount of incentives in the RESP:

$$\$1,400 \text{ SAGES} + \$2,800 \text{ CESG} = \$4,200$$

2. Determine the percentage represented by each incentive in the RESP:

$$\text{\$1,400} / \text{\$4,200} = 33.33\% \text{ SAGES}$$

$$\text{\$2,800} / \text{\$4,200} = 66.67\% \text{ CESG}$$

3. Apply these percentages to the RESP Fair Market Value of \\$4,000:

$$33.33\% \text{ of } \$4,000 = \$1,333.33 \text{ of SAGES that can be repaid}$$

$$66.67\% \text{ of } \$4,000 = \$2,666.67 \text{ of CESG that can be repaid}$$

In this example, the promoter would withdraw the funds from the RESP and submit the following Grant repayment transaction (RT 400-21) to CESP:

RT 400-21(03): Reason code = 03 (Contract termination)

\\$1,333.33 in the SAGES amount field

\\$2,666.67 in the CESG amount field

Next, it will be necessary to determine the shortfall and submit the appropriate Termination Adjustment transaction to the CESP. To determine the shortfall for each incentive, subtract the amount that can be paid (calculated above) from the incentive notional account balance. The following table shows the results of this calculation.

Incentive	Notional Account Balance	Amount Payable (see above)	Termination Adjustment
SAGES	\\$1,400	\\$1,333.33	\\$66.67
CESG	\\$2,800	\\$2,666.67	\\$133.33
Shortfall	-	-	\\$200

The promoter must submit the following Termination Adjustment transaction (RT 400-22) to inform the CESP of the \\$200 shortfall:

RT 400-22: \\$66.67 in the SAGES amount field

\\$133.33 in the CESG amount field

Note: Termination Adjustments are only used when terminating an RESP.

9. Other Transactions Involving SAGES

The promoter may also be asked to handle other transactions involving SAGES. These include:

- Transferring funds (including SAGES) from one RESP to another

See **Chapter 3-1: RESP Transfers and the Education Savings Incentives**

- Responding to a request for an EAP and calculating the SAGES portion of the EAP

See **Chapter 3-2: Post-Secondary Education and Educational Assistance Payments (EAPs)**



Important notice: This document is revised regularly. Visit the following address for the latest version:
http://www.esdc.gc.ca/eng/jobs/student/promoters/user_guide/index.shtml

Canada Education Savings Program – RESP Provider User Guide

CHAPTER 3-1

RESP Transfers and the Education Savings Incentives

When funds are transferred between Registered Education Savings Plans (RESPs) held within different financial institutions, the **transferring** and **receiving** RESP promoters must share information and work together to successfully complete the following Employment and Social Development Canada (ESDC) RESP Transfer Forms:

- HRSDC SDE 0088 (Form A)
- HRSDC SDE 0089 (Form B)
- HRSDC SDE 0090 (Form C)

Promoters must also submit accurate transfer transactions to the Canada Education Savings Program (CESP) system of ESDC. In addition, when undertaking the transfer, certain conditions are required to ensure that the beneficiary continues to be eligible for the following educational incentives:

- Canada Education Savings Grant (CESG)
- Canada Learning Bond (CLB)
- Alberta Centennial Education Savings Plan Grants (Alberta Grants)
- Saskatchewan Advantage Grant for Education Savings (SAGES)

See **Appendix C** for a list of acronyms and terms used in this guide.

In this chapter

1. What is an RESP Transfer and Who is Involved?	3 – 1 – 2
2. RESP Accounts – What They Accomplish	3 – 1 – 5
3. Implications When Transferring Funds to Another RESP	3 – 1 – 6
4. Types of Transfers.....	3 – 1 – 30
5. Transfer Forms.....	3 – 1 – 34
6. Guidelines for Successful Transfers.....	3 – 1 – 36
7. An Overview of the Transfer Process	3 – 1 – 37

1. What is an RESP Transfer and Who is Involved?

The term **RESP transfer** refers to the transactions that take place when all or parts of the funds in the plan are transferred from one RESP to another.

While the subscriber provides the information needed to facilitate the transfer and provides authorization by signing the required form, the RESP transfer process involves the cooperation of:

- the transferring RESP promoter, who transfers funds from the transferring plan to the receiving plan;
- the receiving RESP promoter, who ensures funds are deposited into the corresponding accounts in the receiving plan; and
- the CESP.

Each play a critical role in facilitating the RESP transfer process and confirming that it meets the conditions required to ensure that the beneficiary continues to be eligible for the CESG, CLB and/or provincial incentives for which they qualify.

Synonyms for Transferring and Receiving

In this guide, "transferring RESP" means the plan from which funds are withdrawn in a transfer between RESPs, whereas "receiving RESP" means the plan in which these funds are deposited.

Other RESP documents may refer to transferring and receiving RESPs using different terms.

The following terms could replace "transferring":

- sending
- relinquishing
- originating
- transferor

The following term could replace "receiving":

- transferee

1.1. Responsibilities of the RESP Promoters

Participating RESP promoters must comply with the terms and conditions of the agreements signed with ESDC.

Under those agreements, RESP promoters must agree to track and report to the Minister of ESDC, all RESP financial activities in compliance with the CESP system Interface Transaction Standards (ITS). This includes transfer transactions that are reported in the RT 400 transaction. See **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)**.

With respect to RESP transfers, RESP promoters responsibilities include:

- understanding the conditions for an 'eligible' transfer with respect to the CESP, CLB and provincial incentives and communicating this information to the subscriber;
- completing the applicable RESP transfer forms (HRSDC SDE 0088, 0089 and 0090) each time a transfer occurs, using information provided by the subscriber;
- sharing information with other RESP promoters in order to successfully complete the transfer forms as well as the transfer transaction. This represents a critical part of the transfer process. Accurately completing the RESP transfer forms requires each RESP promoter to provide information, as authorized by the subscriber. Accurate and timely transfer transactions also ensure beneficiaries continue to be eligible for and receive the incentives for which they qualify;
- submitting transfer transactions to the CESP system in a timely manner and in compliance with ITS requirements;
- continuing to administer the RESP as required under the *Income Tax Act* (ITA); and
- administering and accounting for the CESP, CLB, and/or provincial incentives that have been received.

1.1.1. Responsibility for Administering the Incentives

Once the CESP, CLB and/or provincial incentives are paid into an RESP, the RESP promoter becomes responsible for administering these funds.

When incentives are transferred, the transferring and receiving RESP promoters must advise CESP of the transferred amount(s) of CESP, CLB and/or provincial incentives administered by ESDC. This is accomplished by completing the RESP transfer forms and submitting the respective transactions to the CESP system according to ITS requirements. The responsibility for administering the incentives is transferred to the receiving RESP promoter.

If the CESP is not properly informed of the transfer transaction, the transferring RESP promoter remains responsible for administering the CESP, CLB and/or provincial incentives that have been paid into the RESP in respect of a beneficiary.

1.2. Responsibilities of the CESP

The main responsibility of the CESP, relative to transfers, is to track the CESG, CLB and/or provincial incentives administered by ESDC by receiving and processing transfer transactions submitted to the CESP system by RESP promoters.

Via the CESP system, the CESP will:

- accept and process transfer transactions;
- validate the RESP promoters' records pertaining to the CESG, CLB and/or provincial incentives administered by ESDC, ensuring that information is maintained and has been accurately entered into the CESP system; and
- undertake compliance reviews to ensure:
 - promoters complete the transfer forms and share information with other promoters;
 - information is being submitted to and accepted by the CESP system; and
 - promoters accurately maintain their books and records to properly reflect all transfer transactions.

Compliance Reviews and the RESP Transfer Form

CESP undertakes compliance reviews of the RESP promoters' records and submission of information to the CESP system. This includes ensuring that the RESP transfer forms have been properly completed, signed and maintained in a record keeping system.

2. RESP Accounts – What They Accomplish

RESP promoters must create and maintain separate RESP accounts to administer the CESG, CLB, and/or provincial incentives. These accounts identify the value of each monetary component of the RESP.

An RESP may be comprised of the following accounts:

- assisted contributions made to the RESP by the subscriber
- unassisted contributions made to the RESP by the subscriber
- CESG
- CLB – maintained separately for each beneficiary
- provincial incentives – accounts maintained separately for each designated provincial program
- earnings

Account balances entered onto the RESP transfer forms must reflect the book value of RESP accounts.

When a financial transaction is processed in respect of a beneficiary, the funds are either deposited into or withdrawn from the appropriate RESP account depending on the purpose of the financial transaction. For example, contributions are deposited into the appropriate contribution account and the CESG (Basic & Additional) is deposited into the CESG account.

RESP Accounts and the RESP Transfer Forms

The transferring RESP promoter must enter the appropriate (book value) balances for each of the RESP accounts onto RESP transfer forms.

See **Appendix D: Forms Index – Education Savings Incentives, RESP Transfer Forms (HRSDC SDE 0088, 0089 and 0090)**.

RESP promoters must calculate the proportion of CESG and provincial incentives transferred between RESPs.* An example of how to perform this calculation is included in **4.1 Partial Transfers**, later in this chapter.

** The CLB is handled separately in the case of transfers.*

3. Implications When Transferring Funds to Another RESP

The RESP promoter must be aware of the various possible implications of making an RESP transfer and is responsible for communicating this information to the subscriber(s). These could include the following:

- Transfers are subject to ITA requirements and may have tax implications.
- Transfers must meet certain conditions to ensure the beneficiary's continued eligibility for the education savings incentives.
- Transfers may impact contribution history and the effective date of the plan.

Important Note!

RESP transfers are not permitted once an Accumulated Income Payment (AIP) has been made from the transferring RESP. See Chapter 3-3: Options for Assets Remaining in the RESP.

3.1. Contribution History and Potential Tax Penalties

Under the ITA, transfers of funds between RESPs are generally not restricted.

However, the Canada Revenue Agency (CRA) may consider contributions previously made to the transferring plan as contributions made to the receiving plan on the original contribution dates. This could result in overcontributions and applicable tax penalties.

Unless the transfer meets one of the following conditions, the receiving plan will assume the contribution history of the transferring plan and may incur tax penalties:

The transferring and receiving plans have a common beneficiary.

OR

A beneficiary in the receiving plan is a sibling of a beneficiary in the transferring plan.

AND

The receiving plan is a family plan.

OR

A beneficiary of the receiving plan is a sibling of a beneficiary in the transferring plan.

AND

The receiving plan is an individual plan.

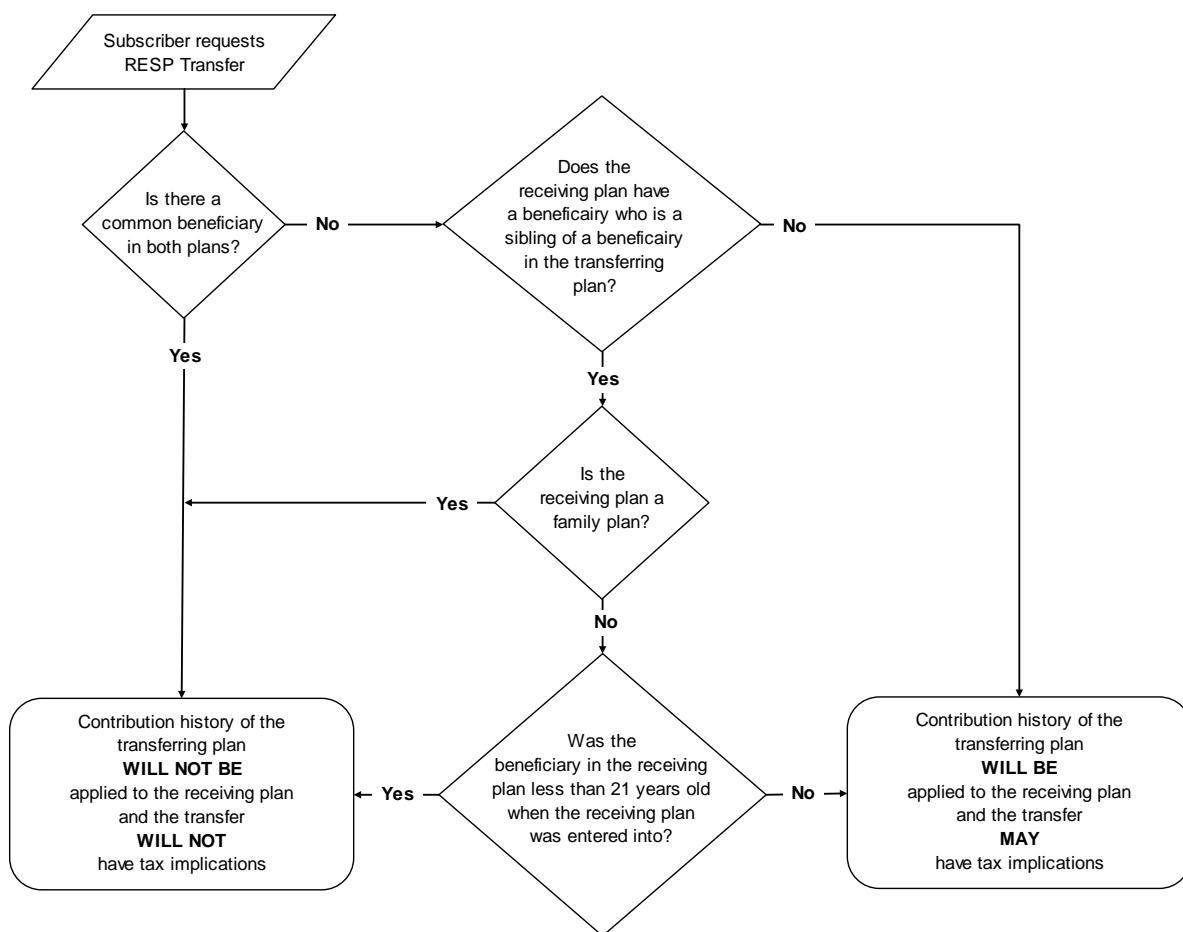
AND

The beneficiary of the receiving plan was under 21 years of age when the receiving plan was entered into.

Age Limit for Adding Beneficiaries to Family Plans

Beneficiaries must either be less than 21 years old when named to a family plan or they must have been beneficiaries under another family plan immediately before being added. See **Chapter 1-4 Registered Education Savings Plans, 4.2. Family Plans**.

Determining if a transfer could have tax implications



Beneficiary's age when the receiving plan was entered into

If the receiving plan has already received a transfer from another RESP, the effective date of the receiving plan could be earlier than the date on which the subscriber actually opened this plan. After receiving a transfer, the **effective date** of the receiving plan (the date on which the plan is deemed to have been entered into) is the earliest effective date of the two plans involved in the transfer. See **3.3 Earliest Effective Date of the Plan** later in this chapter.

Failure to meet the above conditions may result in overcontributions and may require the subscriber(s) to pay penalty taxes. See **Chapter 1-4: Registered Education Savings Plans (RESPs), 5. Overcontributions**.

It is important for the RESP promoter to communicate to the subscriber the possible consequences of transferring funds. A transfer that does not meet the conditions stipulated above may:

- result in an overcontribution for the beneficiary, which may incur a tax penalty on each subscriber's share of overcontributions that are not withdrawn; and
- reduce lifetime RESP limits, even if overcontributions are withdrawn.

Example:

Transferring Plan - A

- Effective date prior to transfer: April 2, 1998
- Type of plan: family plan with siblings only
- Incentives paid in plan: Basic CESG only
- Beneficiaries: Carl and Janet

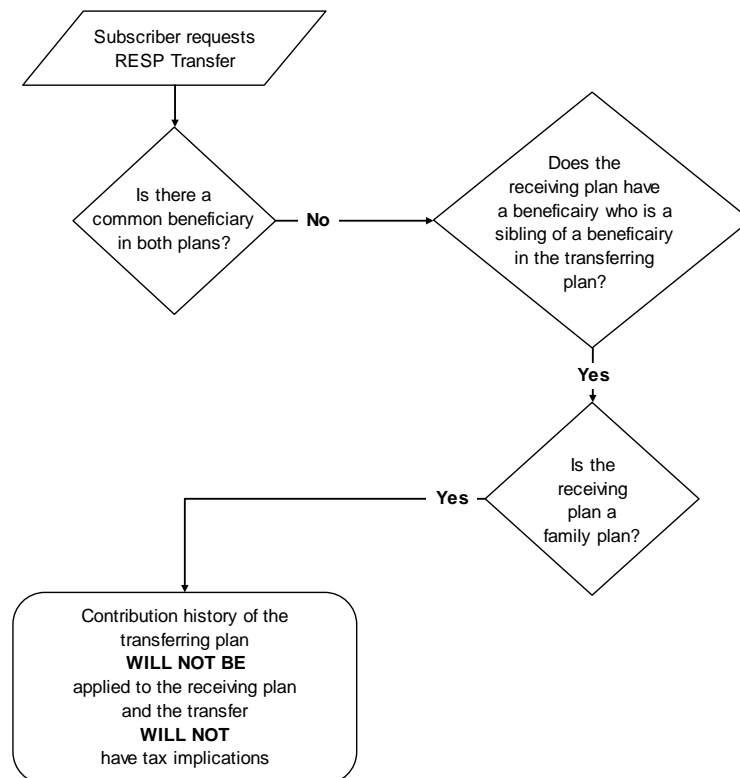
Receiving Plan - B

- Effective date prior to transfer: January 10, 2011
- Type of plan: family plan with cousins
- Incentives offered by the promoter: Basic CESG only
- Beneficiaries: Harry, Suzan and Bob

The subscriber of plan A requested the transfer on January 21, 2011. Janet and Bob are siblings in the transferring and receiving plans. The receiving plan B was opened on January 10, 2011 when Bob was 30 years old. Bob was allowed to be named to the family plan B when he was older than 21 because he was already named in another family RESP at that time.

This transfer would not have tax implications because:

- Bob (receiving plan) is a sibling of Janet and Carl (transferring plan); and
- the receiving plan is a family plan.



3.2. Transfer Conditions for the Education Savings Incentives

Transfers will be considered ‘ineligible’ in respect of all education savings incentive(s) administered by ESDC unless the transfers comply with conditions stipulated in:

- *Canada Education Savings Regulations*; and
- provincial regulations and agreements for provincial incentives administered by ESDC.

For an eligible transfer of education savings incentives:

- RESP transfers must meet all of the conditions for an eligible transfer of each incentive administered by ESDC; and
- the receiving plan must support all of the conditions for receiving these incentives.

When the receiving promoter does not offer an incentive

The receiving plan must support all of the conditions for receiving all of the incentives included in the RESP transfer. For example, a promoter must enter into an agreement with ESDC and pass industry testing before they can submit transactions for a particular incentive to the CESP.

For additional information, see the following headings later in this chapter:

- 3.2.6 When the Receiving Promoter Does not Offer Additional CESG
- 3.2.7 When the Receiving Promoter Does not Offer CLB

If conditions for an eligible transfer are not satisfied for any of the incentives administered by ESDC, all of these incentives (CESG, CLB and/or provincial incentives administered by ESDC) must be repaid to ESDC. For more information, see **3.2.4 Ineligible Transfers and Repayments** later in this chapter.

Eligibility for the Incentives and the RESP Transfer Forms

Both the transferring and receiving RESP promoters must be aware of the conditions affecting eligibility for the CESG, CLB and/or provincial incentives administered by ESDC.

By reviewing the **transfer eligibility information** in the RESP transfer form the RESP promoter helps to ensure that the beneficiary continues to be eligible for the incentives for which they have already been qualified.

See **Appendix D: Forms Index – Education Savings Incentives, RESP Transfer Forms (HRSDC SDE 0088, 0089 and 0090)**.

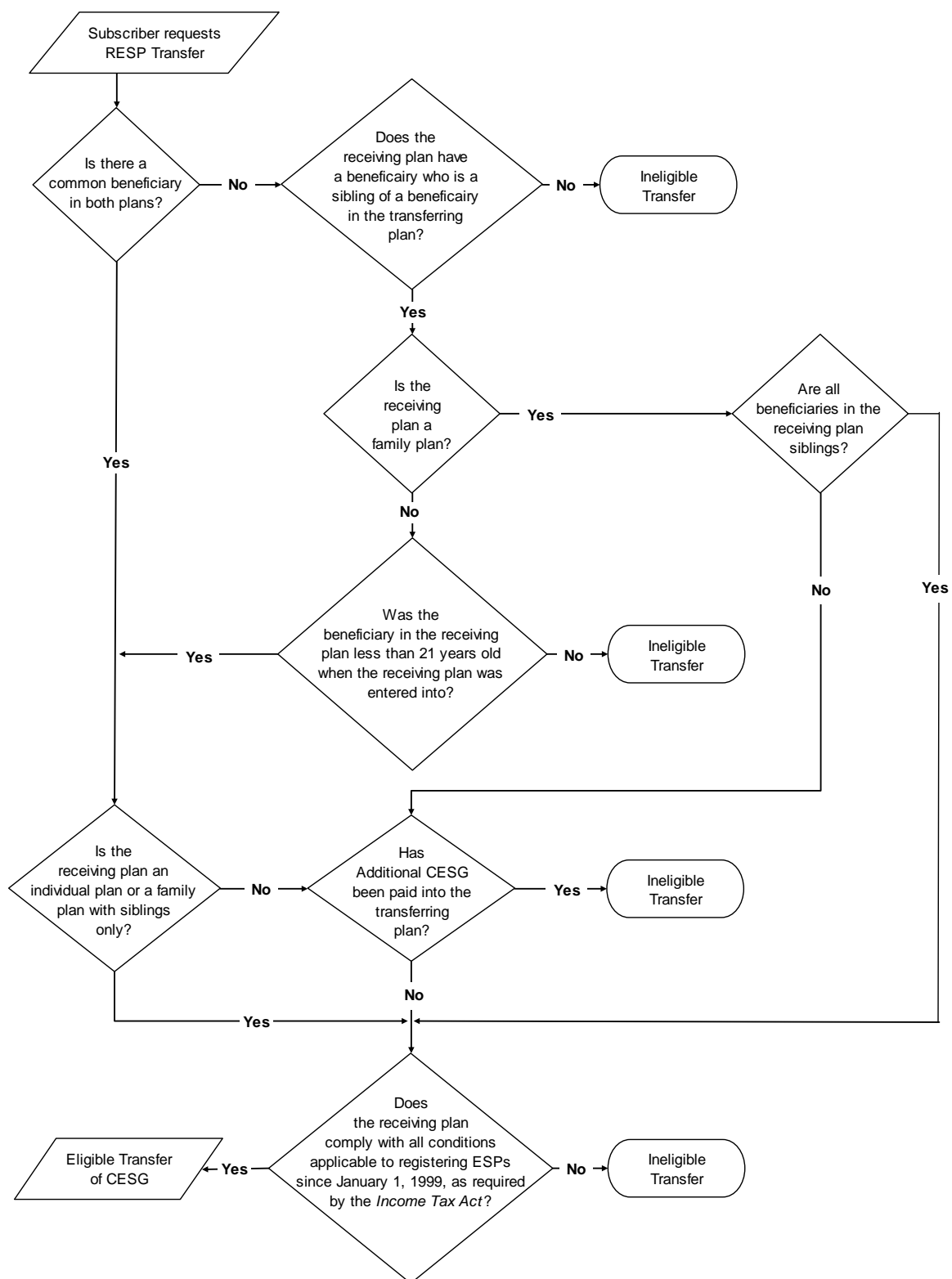
3.2.1. Conditions for an Eligible Transfer of the CESG

The following conditions must be satisfied for an eligible transfer of CESG:

<p>The transferring and receiving plans have a common beneficiary.</p> <p>OR</p> <p>A beneficiary in the receiving plan is a sibling of a beneficiary in the transferring plan.</p> <p>AND</p> <p>The receiving plan is a family plan.</p> <p>OR</p> <p>A beneficiary of the receiving plan is a sibling of a beneficiary in the transferring plan.</p> <p>AND</p> <p>The receiving plan is an individual (non-family) plan.</p> <p>AND</p> <p>The beneficiary of the receiving plan was under 21 years of age when the receiving plan was entered into.</p>
<p>AND</p>
<p>The receiving plan is an individual (non-family) plan or a family plan in which all beneficiaries are siblings.</p> <p>OR</p> <p>No Additional CESG has been paid into the transferring plan.</p>
<p>AND</p>
<p>The receiving plan complies with all conditions applicable to registering Education Savings Plans (ESPs) since January 1, 1999, as required by the ITA.</p>

See also **3.2.6. When the Receiving Promoter Does not Offer Additional CESG**, later in this chapter.

Determining if Conditions for an Eligible Transfer of CESG are satisfied



Example 1:

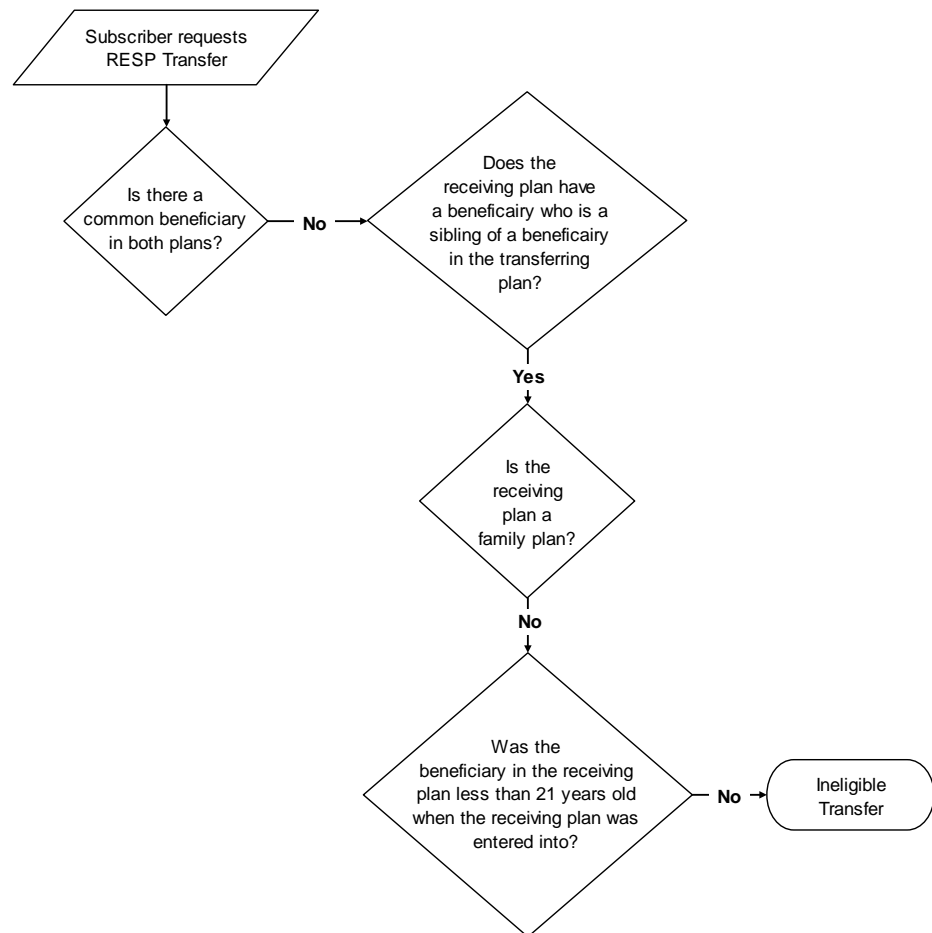
Transferring Plan - A

- Effective date prior to transfer: April 2, 1998
- Type of plan: family plan with siblings only
- Incentives paid in plan: CESG and Alberta Grants
- Beneficiaries: Maxim and Dianne

Receiving Plan - B

- Effective date prior to transfer: January 10, 2005
- Type of plan: individual plan
- Incentives offered by promoter: All incentives administered by ESDC
- Beneficiary: Joel

The subscriber of plan A requested the transfer on September 15, 2011 when Joel was 30 years old. Maxim, Dianne and Joel are siblings and plan B was opened on January 10, 2005 when Joel was 24 years old.



The transfer is ineligible for CESG because Joel was not less than 21 years old when plan B was entered into. The promoter must use January 10, 2005, plan B's effective date prior to the transfer, to determine if Joel was less than 21 when this plan was entered into. For additional information, see **3.3 Earliest Effective Date of the Plan** later in this chapter.

As the transfer is ineligible, the lesser of plan A's fair market value and the incentive accounts (CESG and Alberta Grants) of plan A must be repaid.

Example 2:

Transferring Plan - A

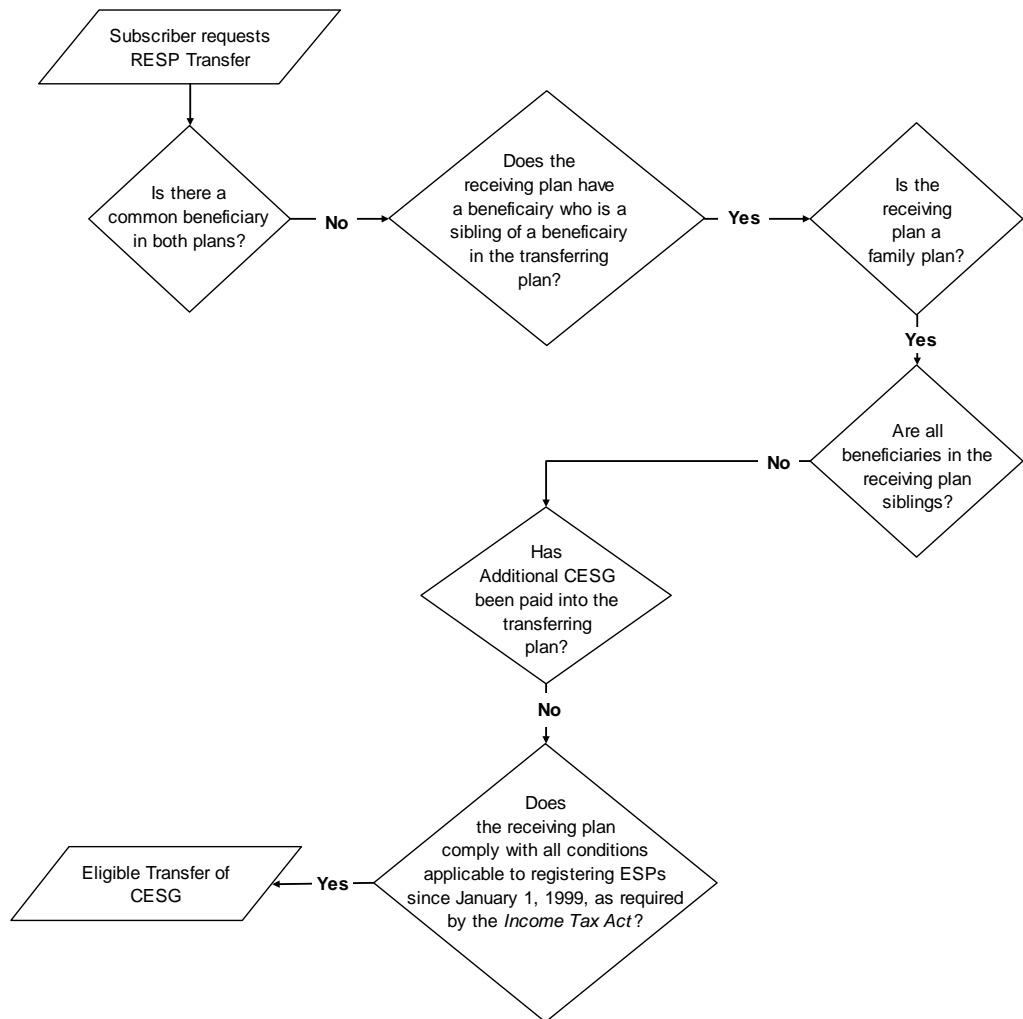
- Effective date prior to transfer: April 2, 1998
- Type of plan: family plan with siblings only
- Incentives paid in plan: Basic CESG only
- Beneficiaries: Carl and Janet

Receiving Plan - B

- Effective date prior to transfer: January 10, 2011
- Type of plan: family plan with cousins
- Incentives offered by promoter: Basic CESG only
- Beneficiaries: Harry, Suzan and Bob

The subscriber of plan A requested the transfer on January 21, 2011. Janet and Bob are siblings in the transferring and receiving plans. The receiving plan B was opened on January 10, 2011 when Bob was 30 years old. Bob was allowed to be named to the family plan B when he was older than 21 because he was already named in another family RESP at that time.

This is an eligible transfer for CESG.



3.2.2. Conditions for an Eligible Transfer of the CLB

The following conditions must be satisfied for an eligible transfer of CLB:

The transferring and receiving plans have a common beneficiary. If the CLB is transferred, it must be between CLB accounts in an RESP held for the same beneficiary.

AND

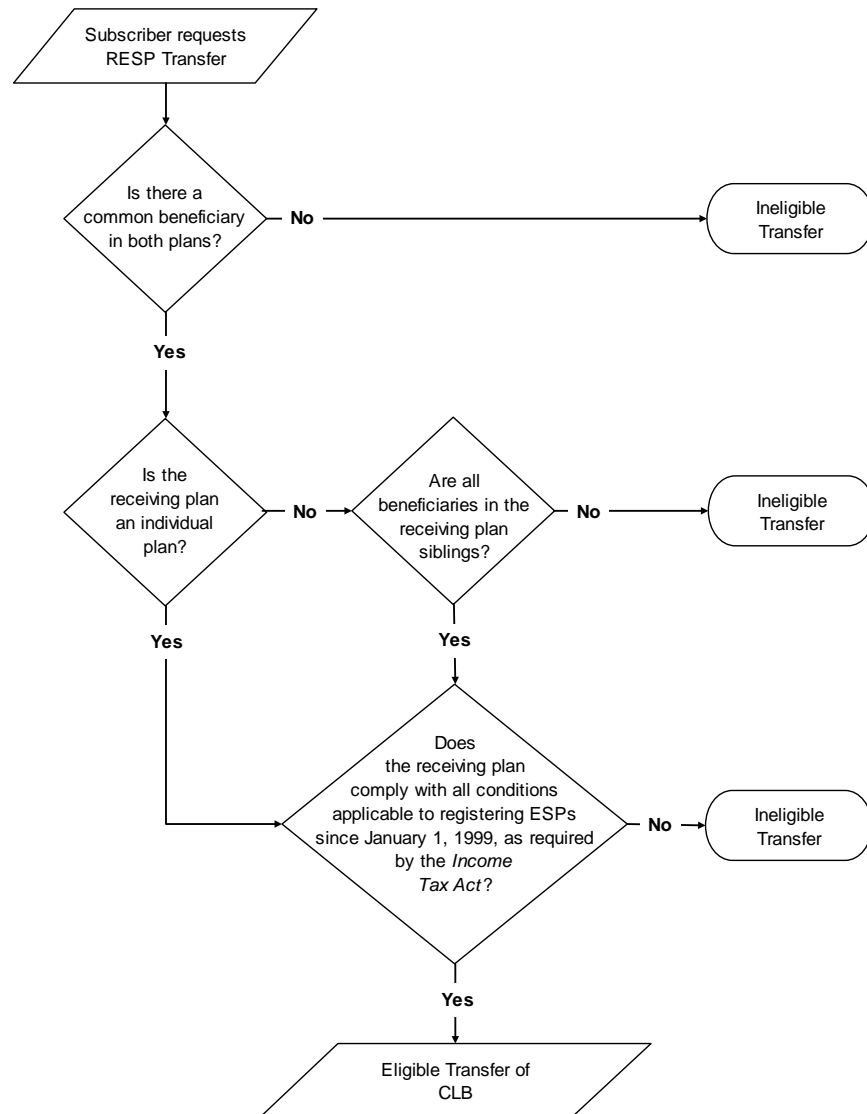
If the receiving plan is a family plan, all beneficiaries are siblings.

AND

The receiving plan complies with all conditions applicable to registering Education Savings Plans (ESPs) since January 1, 1999, as required by the ITA.

See also **3.2.7. When the Receiving Promoter Does not Offer CLB**, later in this chapter.

Determining if Conditions for an Eligible Transfer of CLB are satisfied



Example:

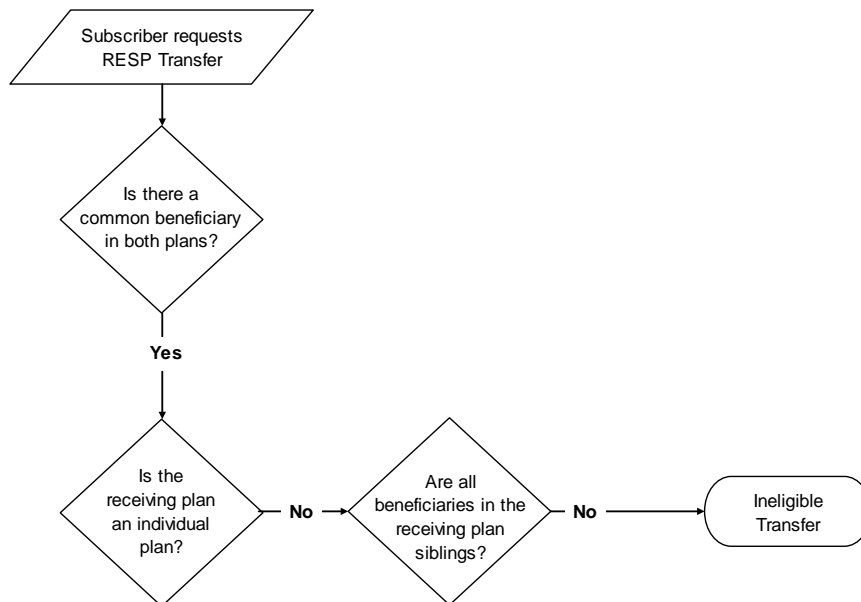
Transferring Plan - A

- Effective date prior to transfer: January 12, 2005
- Type of plan: family plan with siblings only
- Incentives paid in plan: CESG (Basic and Additional) and CLB (for Sarah)
- Beneficiaries: Sarah and Jonathan

Receiving Plan - B

- Effective date prior to transfer: August 9, 2011
- Type of plan: family plan with cousins
- Incentives offered by promoter: All incentives administered by ESDC
- Beneficiaries: Nancy, Joel and Sarah

The subscriber of plan A requested the transfer on September 7, 2011. This is not an eligible transfer for CLB because the receiving plan beneficiaries are not all siblings. Therefore, the lesser of plan A's fair market value and the incentive account balances (CESG and CLB) in plan A must be repaid.



CLB repayments do not affect the lifetime CLB entitlement of a beneficiary. Sarah could be named in another RESP after CLB amounts, paid to Sarah in plan A, are repaid to ESDC. Sarah could then receive her accumulated CLB entitlements in the new RESP and these entitlements would include any repaid CLB amounts.

The CLB could also be left in plan A in order to avoid an ineligible transfer. In that case, no repayment of CESG or CLB would be required. For additional information, see **4.1 Partial Transfers** later in this chapter.

3.2.3. Conditions for an Eligible Transfer of the Alberta Grants

The following conditions must be satisfied for an eligible transfer of Alberta Grants:

The transferring and receiving plans have a common beneficiary.

OR

A beneficiary in the receiving plan is a sibling of a beneficiary in the transferring plan.

AND

The receiving plan is a family plan.

OR

A beneficiary of the receiving plan is a sibling of a beneficiary in the transferring plan.

AND

The receiving plan is an individual (non-family) plan.

AND

The beneficiary of the receiving plan was under 21 years of age when the receiving plan was entered into.

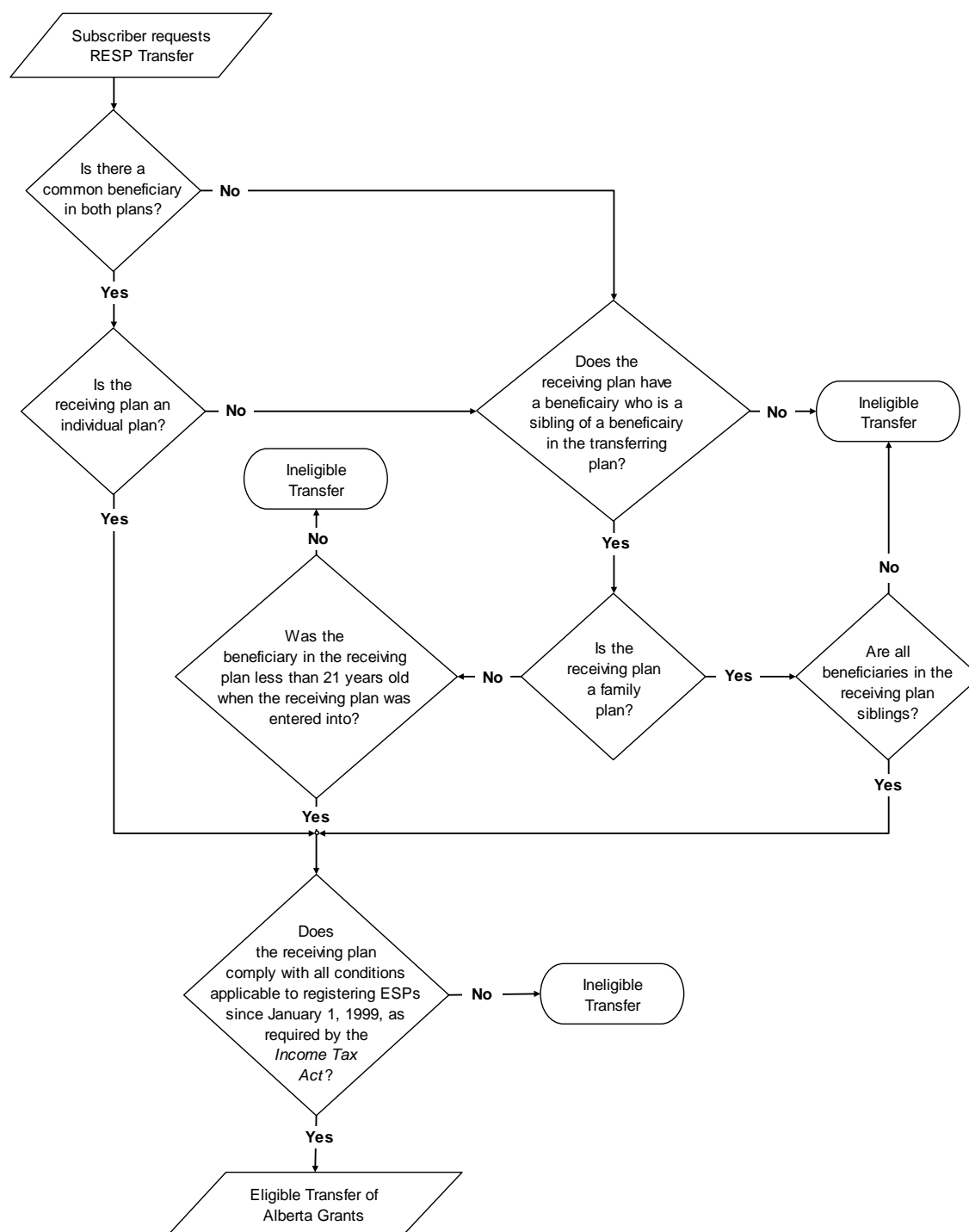
AND

If the receiving plan is a family plan, all beneficiaries are siblings.

AND

The receiving plan complies with all conditions applicable to registering Education Savings Plans (ESPs) since January 1, 1999, as required by the ITA.

Determining if Conditions for an Eligible Transfer of Alberta Grants are Satisfied



Example:

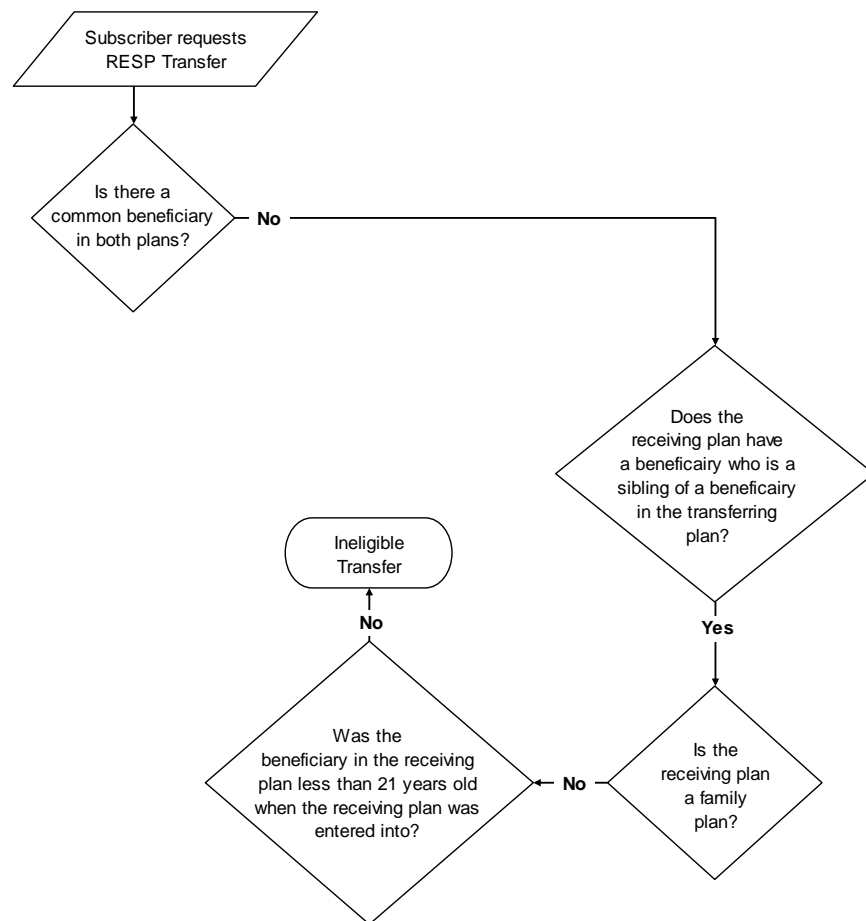
Transferring Plan - A

- Effective date prior to transfer: April 2, 1998
- Type of plan: family plan with siblings only
- Incentives paid in the plan: CESG and Alberta Grants
- Beneficiaries: Maxim and Dianne

Receiving Plan - B

- Effective date prior to transfer: January 10, 2005
- Type of plan: individual plan
- Incentives offered by promoter: All incentives administered by ESDC
- Beneficiary: Joel

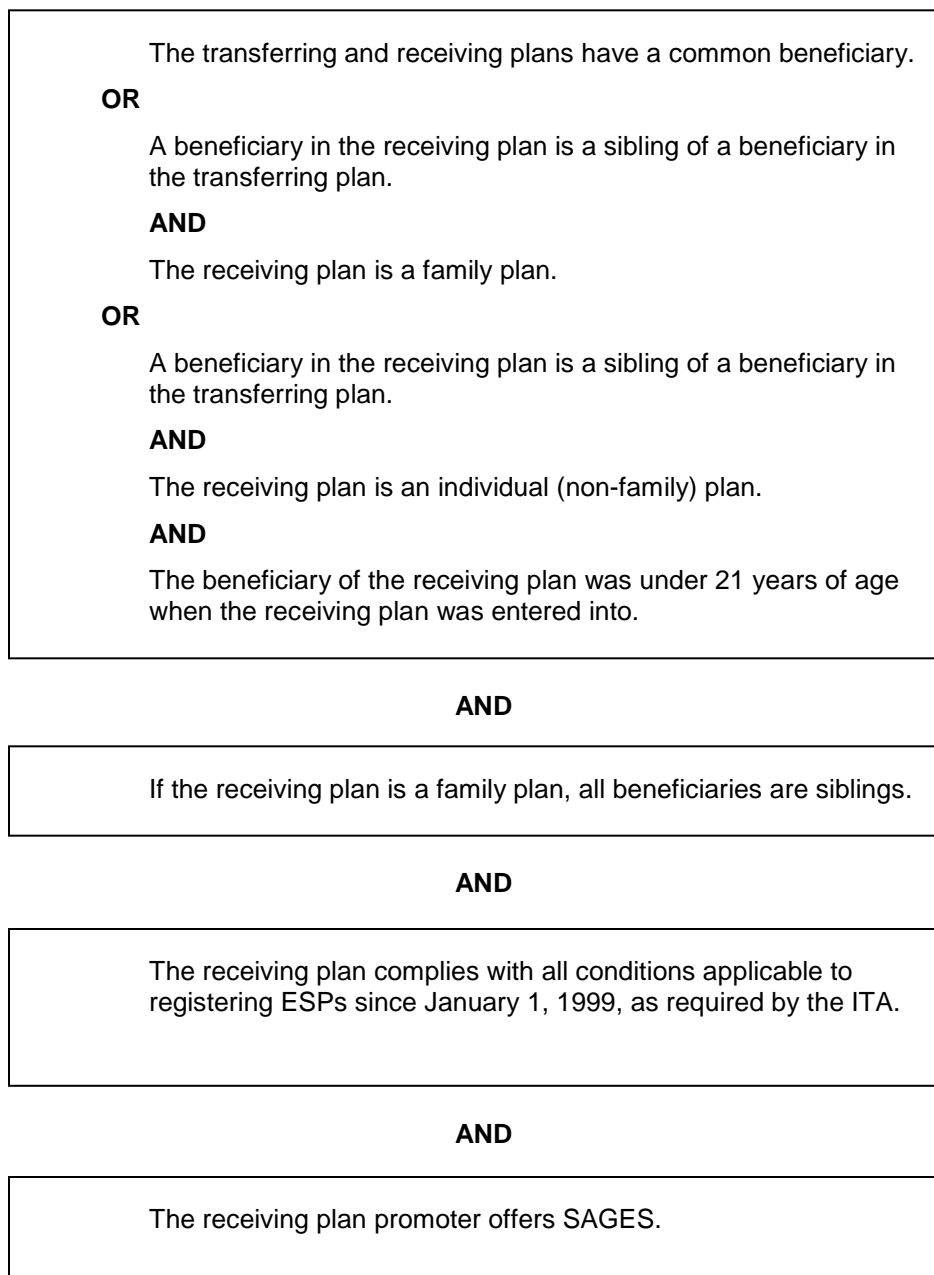
The subscriber of plan A requested the transfer on September 16, 2011 when Joel was 30 years old. Maxim, Dianne and Joel are siblings. Plan B was opened on January 10, 2005 when Joel was 24 years old.



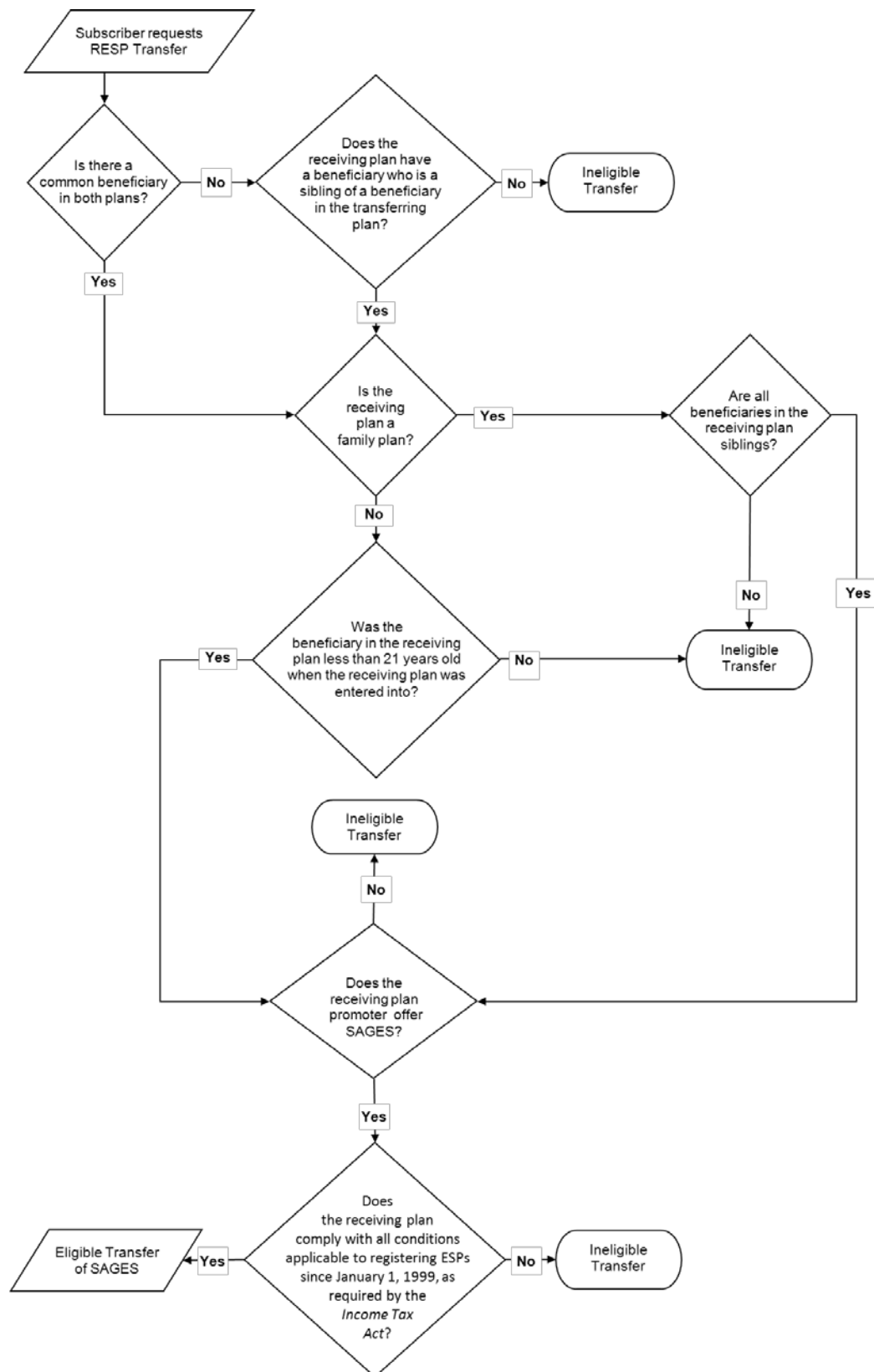
This transfer is ineligible for Alberta Grants because Joel was not less than 21 years old when plan B was entered into. Therefore, the lesser of plan A's fair market value and the incentive account balances (CESG and Alberta Grants) in plan A must be repaid.

3.2.4. Conditions for an Eligible Transfer of SAGES

The following conditions must be satisfied for an eligible transfer of SAGES:



Determining if Conditions for an Eligible Transfer of SAGES are satisfied



Example:

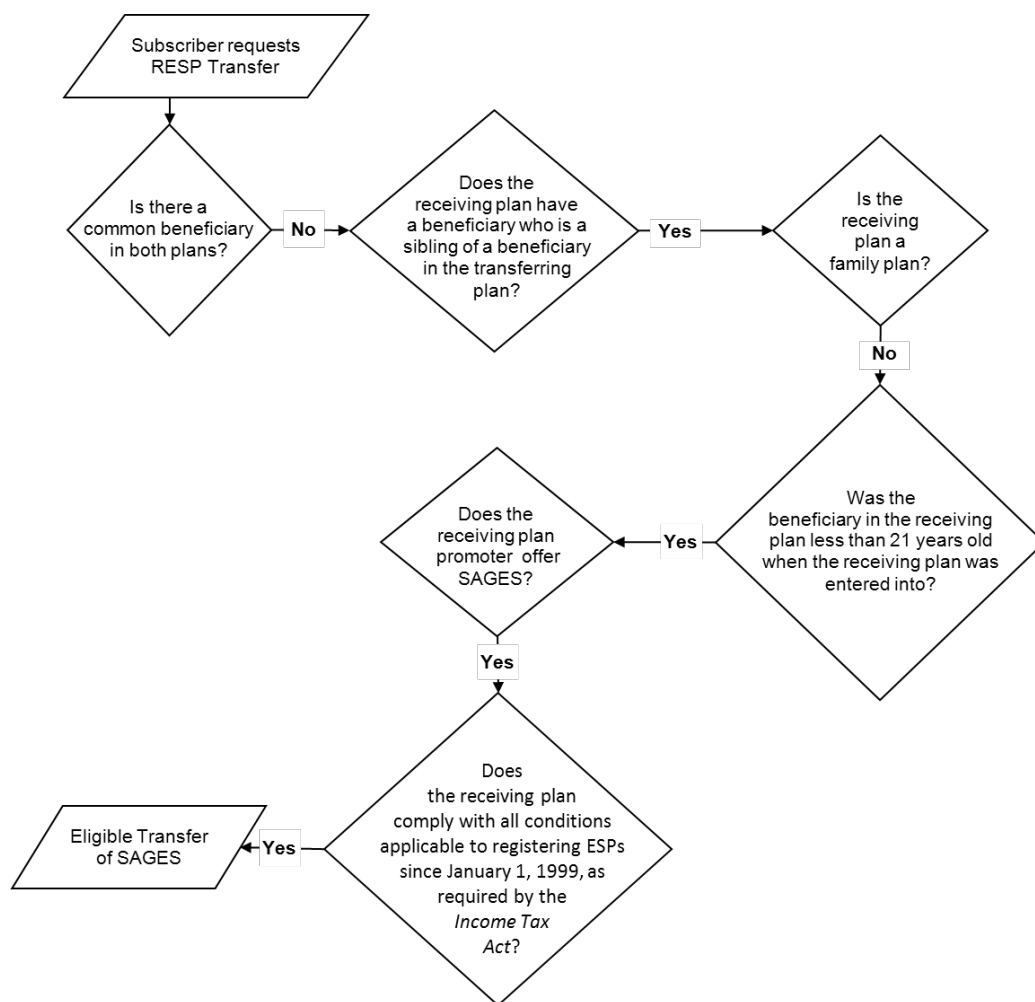
Transferring Plan - A

- Effective date prior to transfer: May 3, 2010
- Type of plan: family plan with siblings only
- Incentives paid in the plan: CESG and SAGES
- Beneficiaries: Jacob and Debrah

Receiving Plan - B

- Effective date prior to transfer: August 10, 2013
- Type of plan: individual plan
- Incentives offered by promoter: All incentives administered by ESDC
- Beneficiary: Ryan

The subscriber of plan A requested the transfer on January 23, 2014. Jacob, Debrah and Ryan are siblings. Plan B was opened on August 10, 2013 when Ryan was 16 years old.



This transfer is eligible for SAGES because Ryan is a sibling of a beneficiary in the transferring plan and he was less than 21 years old when plan B was entered into.

3.2.5. Ineligible Transfers and Repayments

If the conditions for an eligible transfer are not satisfied and the transfer is allowed to occur, the transferring promoter must repay the lesser of the following amounts to ESDC:

- (a) the total of the balance in the CESG account, the Alberta Grants account, the SAGES account and all of the CLB accounts of the transferring RESP immediately before the time of the ineligible transfer, and
- (b) the fair market value, immediately before the transfer, of the property held in connection with the transferring RESP.

Submitting Repayment Transactions for Ineligible Transfers

When submitting repayment information to the CESP, RESP promoters must submit the following transaction to the CESP system:

- Record Type 400, Transaction Type 21 (Grant repayment)

For a repayment due to an ineligible transfer, this transaction will:

- identify the Repayment Reason as 04 (Ineligible Transfer); and
- report the amount of each incentive to be repaid due to the ineligible transfer.

Repayment amounts reported to the CESP for a particular promoter are subtracted from the total amount of incentives that the CESP would otherwise pay to the promoter each month. For more information, see **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)**.

Example

A subscriber initiated an RESP transfer in order to invest the funds with another RESP promoter. However, when the transfer forms were completed it was determined that this transfer would not satisfy the conditions for an eligible transfer. Even after being advised of the consequences by the transferring promoter, the subscriber decided to continue with the transfer. The transferring promoter must submit the required repayment transaction for this ineligible transfer to the CESP system.

3.2.6. When the Receiving Promoter Does not Offer Additional CESG

If the receiving promoter does not offer Additional CESG and the transferring RESP has received Additional CESG, for the transfer to be eligible, the receiving promoter must agree to ensure that:

- all beneficiaries named under the receiving RESP are siblings;
- any additional beneficiaries named to the RESP after the transfer are siblings of every other beneficiary named under the RESP; and
- the presence of the Additional CESG in the RESP is reported in subsequent transfers.

Refusing to Administer the Rules of Additional CESG (see above)

If the receiving promoter does not offer Additional CESG and Additional CESG was paid into the transferring RESP, the transfer would be ineligible unless the receiving promoter agrees to administer the above rules (See Area IV of transfer form B).

For an ineligible transfer, the transferring promoter must repay the lesser of:

1. the balance of all incentive accounts, administered by ESDC, in the transferring RESP; and
2. the fair market value of the transferring RESP.

Adding a Beneficiary to a Siblings-Only Plan after an Eligible Transfer

If an eligible transfer included Additional CESG from the transferring plan and, afterwards, a beneficiary who is not a sibling is added to the receiving plan, the lesser of the following amounts must be repaid to ESDC:

1. the balance of the CESG account of the receiving RESP immediately before the individual becomes a beneficiary; and
2. the fair market value of the property held in connection with the receiving RESP immediately before the individual becomes a beneficiary.

Example

A subscriber initiated a transfer from an individual RESP “A” that had already received \$100 in Additional CESG payments (but no other incentives), to a family RESP “B” administered by another promoter. While the receiving promoter of RESP “B” does not offer Additional CESG, all conditions for an eligible transfer were satisfied at the time of the transfer.

Two years after the transfer, the subscriber named another beneficiary to RESP “B”. However, the new beneficiary was not a sibling of the other beneficiaries.

Immediately before adding the new beneficiary, RESP “B” had a:

- CESG account balance of \$1000; and
- a fair market value of \$15,875.

Now that all beneficiaries in RESP “B” are no longer siblings, \$1000 (the lesser of \$1000 and \$15,875) must be repaid to ESDC.

Submitting the Repayment Transaction to the CESP

In the above example, the promoter would submit a transaction to the CESP system with the following information:

- Record Type 400, Transaction Type 21 (Grant repayment)
- Repayment Reason = 08 (Ceases to meet sibling only condition)
- Grant Amount = \$1000 (CESG amount to repay)

Repayment amounts reported to the CESP for a particular promoter are subtracted from the total amount of incentives that the CESP would otherwise pay to the promoter each month. For more information, see **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)**.

3.2.7. When the Receiving Promoter Does not Offer CLB

A transfer is ineligible if it includes CLB amounts and the receiving RESP promoter does not offer CLB. If such a transfer is allowed to occur, the lesser of the following amounts must be repaid to ESDC:

- (a) the total of the balance in the CESG account, the Alberta Grants account, the SAGES account and all of the CLB accounts of the transferring RESP immediately before the time of the ineligible transfer; and
- (b) the fair market value, immediately before the transfer, of the property held in connection with the transferring RESP.

Impact of CLB Repayments on Lifetime CLB Entitlements

Repayment of CLB is not like a repayment of other incentives because it does not affect the lifetime CLB entitlement for a beneficiary. A beneficiary could be named in a different RESP to receive any CLB amounts that had been repaid from that beneficiary's CLB accounts in other RESPs.

To avoid repaying all incentives due to an ineligible transfer of CLB, a subscriber could choose to exclude CLB amounts in a transfer.

Subscribers Can Transfer All, Part or None of the CLB

Transfer of CLB is not like the transfer of other incentives because subscribers can choose to transfer all, part or none of the CLB.

Example

A subscriber requested a transfer from Maxim's individual RESP "A" with a fair market value of \$1,285, which included \$800 in CLB and \$200 in CESG. The receiving RESP "B" (for Maxim and his sister Sarah) is administered by another promoter that does not offer CLB.

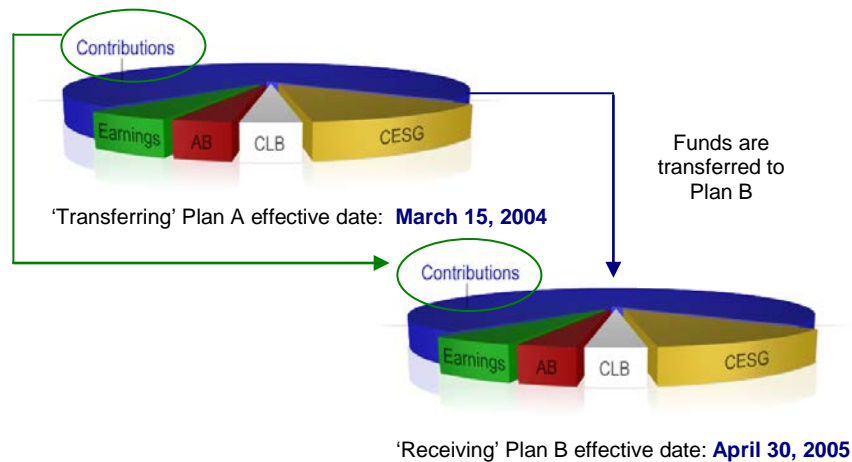
The transfer would be ineligible if Maxim's CLB was included in the transfer to RESP "B" because this promoter does not offer CLB. In this case, \$1000 (the combined value of the CESG and CLB account balances in RESP "A") is less than \$1,285 (the fair market value of RESP "A"). Therefore, \$1000 would have to be repaid. The \$800 of CLB repayments could be eventually paid back into another RESP for Maxim. However, the \$200 CESG repayment would reduce Maximum's lifetime CESG limit from \$7,200 to \$7,000.

To avoid an ineligible transfer that results in incentive repayments, the subscriber could choose to exclude the \$800 CLB amount and transfer only \$200 in CESG to RESP "B". There were two options for the remaining \$800 in CLB. It could be left in the original RESP "A" or transferred at a later date to another RESP for Maxim, that offers CLB.

3.3. Earliest Effective Date of the Plan

According to the ITA, after an RESP transfer occurs, the earliest **effective date** of the two plans must be used to determine the following for the receiving plan:

- when Contributions to the RESP must end
- when AIPs can start
- when the RESP must be terminated
- the age of a beneficiary when the receiving plan was entered into



After the Transfer:

Use **March 15, 2004** as the effective date to determine the dates (for Plan B) when:

- contributions must stop;
- AIPs can begin; and
- the plan must be closed.

Beneficiary's age when the receiving plan was entered into

One eligibility criterion for transfers to an individual plan is the age of a sibling in the receiving plan when the receiving plan was entered into. For an example, see **3.2.1 Conditions for an Eligible Transfer of the CESP** earlier in this chapter.

If no previous transfers have been made into the receiving plan:

- use the date the receiving plan was actually opened to determine how old the beneficiary was when the receiving plan was entered into.

If the receiving plan has already received a transfer from another plan:

- use the earliest effective date of the receiving plan prior to the next transfer, to determine the beneficiary's age when the receiving plan was entered into.

Example:

The following table lists the dates on which subscribers actually signed 3 new RESP contracts:

RESP	Type	Opening Date on Signed Contract
A	Family	April 2, 1998
B	Individual	January 10, 2005
C	Individual	August 4, 2004

Transfer from A to B:

On November 1, 2011, there was a transfer from RESP A to RESP B.

To determine if the sibling in plan B was less than 21 years old when plan B was entered into, the promoter must use the effective date of plan B prior to the transfer. For an eligible transfer from A to B, the sibling would have to have been less than 21 years old on January 10, 2005.

After the transfer from RESP A to RESP B, April 2, 1998 becomes the effective date of plan B because this is earlier than the actual date on which plan B was opened. After this transfer, April 2, 1998 would be used to determine:

- when contributions to plan B must end;
- when AIPs can start from plan B;
- when plan B must be terminated; and
- the age of a beneficiary when the receiving plan was entered into.

Transfer from C to B:

On November 30, 2011, there was a transfer into plan B from plan C.

However, as there was a previous transfer into plan B, the effective date of plan B prior to the transfer from plan C was April 2, 1998. For an eligible transfer from C to B, the beneficiary would have to have been less than 21 years old on April 2, 1998.

After this transfer, the effective date of plan B would remain at April 2, 1998, because this date is earlier than the effective date of plan C.

4. Types of Transfers

If the terms of a subscriber's contract allow for it, a subscriber can choose to make a full or partial transfer of the property in the RESP. The type of transfer will determine how the RESP promoters will manage the funds in each education incentives account (CESG, CLB, and provincial incentives accounts). In the case of a full transfer:

- the transferring RESP promoter transfers all monies in the transferring RESP (contributions, earnings, and education savings incentives in the RESP) to the receiving plan; and
- the receiving RESP promoter will then ensure monies are deposited into the corresponding accounts in the RESP.

4.1. Partial Transfers

If only a portion of the property in the RESP is transferred, then:

- the transferring RESP promoter must calculate and transfer the *equal portion* of the Contributions, Earnings, CESG, and provincial incentives to the receiving plan. (An example is provided below; See **4.1.1 Step 1 – Determining the Proportion of Amounts to be Transferred.**)

The CLB is excluded from this calculation.

- the receiving RESP promoter will then ensure monies are deposited into the corresponding accounts in the RESP.

The CLB must be isolated if included in a transfer

The subscriber can choose to transfer all, part, or none of the CLB when making a partial transfer. The CLB does not have to be transferred in the same proportions as other assets in the plan. Because the CLB is an entitlement for a specific child, the CLB is excluded when calculating the market value of the RESP to determine proportions.

When any CLB amounts are being transferred, they must be deposited to the account in respect of the beneficiary who originally received the CLB payment(s).

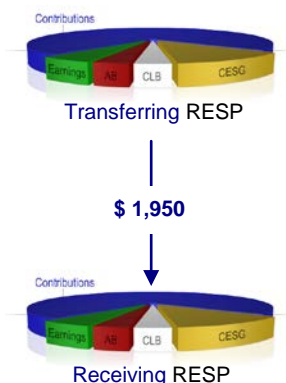
Isolating the amount of CLB in this manner allows ESDC to continue tracking the CLB entitlements for each eligible beneficiary.

4.1.1. Step 1 – Determining the Proportion of Amounts to be Transferred

In many cases, RESP promoters' systems are set up to automatically calculate the proportion of Contributions, Earnings, CESG, and/or provincial incentives that will be included in a partial transfer.

However, it is helpful to understand the process for determining the correct proportion of CESG and provincial incentives accounts that must be transferred, as follows:

1. Determine the market value of the plan.
2. Calculate what percentage of the plan's market value is represented by the requested transfer amount, using the following formula.



Requested Transfer Amount	=	Proportional Percentage
RESP Market Value		
For example, if the subscriber wishes to transfer \$1,950 to another RESP and the current RESP market value is \$7,500, then the above equation would be populated as follows:		
\$ 1,950	=	26%
\$ 7,500		
In this example, the requested transfer amount of \$1,950 represents 26% of the plan's current value.		

3. Apply this percentage (or proportion) to each account in the RESP (except the CLB account).

Remember! The CLB is not included when calculating market value of the RESP when determining proportions to be transferred.

When monies are transferred from one RESP to another, the transferring RESP promoter must debit out the amounts from the accounts in the transferring RESP.

The RESP promoter of the receiving plan must then ensure that the monies are credited into the corresponding accounts in the receiving RESP. This maintains the integrity of the balances in all accounts for both RESPs. For more information see **7. An Overview of the Transfer Process**, at the end of this chapter.

4.1.2. Step 2 – Calculating the Proportion of the CESG and the Provincial Incentives

Based on the previous example, note how the proportion of the CESG and the provincial incentives to be transferred is determined:

Calculating the CESG and Provincial Incentives Proportions					
In this example, the accounts in the transferring RESP look like this:					
RESP Market Value	Earnings	Contributions	Provincial Incentive	CLB	CESG
\$ 7,500	\$ 1,150	\$ 4,500	\$ 500	0	\$ 1,350
Requested Partial Transfer Amount: \$ 1,950 Proportion of RESP: \$ 1,950 / \$ 7,500 = 26% The transferring RESP promoter must use this percentage (26%) to calculate the value of each account held in the RESP: <ul style="list-style-type: none"> ▪ Earnings x 26% = \$ 299 ▪ Contributions x 26% = \$ 1,170 ▪ Provincial Incentive x 26 % = \$ 130 ▪ CESG x 26% = <u>\$ 351</u> Total Amount of Transfer = \$ 1,950					

The transferring RESP promoter will transfer \$1,950 to the receiving RESP promoter identified by the subscriber.

Populating Proportional Amounts onto the RESP Transfer Forms						
Based on the above example the following amounts would be entered onto the RESP transfer forms:						
Account Balances and Market Value:						
Unassisted Contributions	Assisted Contributions	CESG	Provincial Incentive	CLB	Earnings	Total Market Value
\$ 0	\$ 1,170	\$ 351	\$ 130	\$ 0	\$ 299	\$ 1,950
Remember! While the amount of CESG and provincial incentive will be in proportion to the total value of funds transferred, the CLB is accounted for separately. The subscriber can choose to transfer all, part or none of the CLB at the time of the transfer. If they do transfer the CLB, it must be attributed to the beneficiary for whom it was directed and meet specific conditions governing its transfer.						

See **3. Implications When Transferring Funds to Another RESP** and **3.2. Transfer Conditions – Continued Eligibility for the Education Savings Incentives** earlier in this chapter. See also **Chapter 2-3: The Canada Learning Bond (CLB)**.

4.1.3. Example of a Partial Transfer – When there is a Loss in the Plan

In the following example, the *Book Value of the plan* is \$2,000. However, the plan has suffered a loss of \$400 and there are no earnings in the plan. Therefore, based on the account balances, and taking into account the \$400 loss, the *Market Value of the plan* is \$1,600.

Calculating the CESG and Provincial Incentives Proportions

In this example, the accounts in the transferring RESP look like this:

RESP Market Value	Earnings	Contributions	Provincial Incentive	CLB	CESG
\$1,600	\$(400)	\$1,000	\$0	\$500	\$500

Requested Partial Transfer Amount: \$ 800 (of the market value)

Proportion of RESP: \$ 800 / \$ 1,100* = 72.727%

** The CLB of \$500 is not included when calculating the market value to determine its proportion with relation to the RESP. Therefore, the denominator of \$1,100 above reflects the RESP Market Value of \$1,600 less \$500 (which is \$1,100).*

The transferring RESP promoter must use this percentage (72.727%) to calculate the value of each account held in the RESP:

▪ Earnings		=	\$	0
▪ Contributions	x 72.727%	=	\$	727.27
▪ CESG	x 72.727%	=	\$	<u>363.63</u>

Total Book Value of Transfer: = **\$ 1,090.90 ****

Total Market Value of Transfer: = **\$ 800.00**

(Loss) of \$400 x 72.727% = **\$ 290.90**

****** The difference between the RESP Book Value of the transfer (\$1,090.90) and the Market Value of the requested transfer (\$800) is \$290.90. This is equal to 72.727% of the \$400 loss. Therefore, the loss is accommodated in the transfer.

Populating Proportional Amounts onto the RESP Transfer Forms

Based on the above example the following amounts would be entered on the RESP transfer form:

Account Balances and Market Value:

Unassisted Contributions	Assisted Contributions	CESG	Provincial Incentive	CLB	Earnings	Total Market Value
\$ 0	\$ 727.27	\$ 363.63	\$ 0	\$ 0	\$ 0	\$ 800

Remember! While the amount of CESG and provincial incentive will be in proportion to the total value of funds transferred, the CLB is accounted for separately. The subscriber can choose to transfer all, part or none of the CLB at the time of the transfer. If they do transfer the CLB, it must be attributed to the beneficiary for whom it was directed and meet specific conditions governing its transfer.

See **3. Implications When Transferring Funds to Another RESP** and **3.2. Transfer Conditions – Continued Eligibility for the Education Savings Incentives** earlier in this chapter. See also **Chapter 2-3: The Canada Learning Bond (CLB)**.

4.1.4. Partial Transfers Subject to Transfer Conditions

Partial transfers are subject to the same transfer conditions as full transfers. The RESP Transfer must comply with all conditions applicable to the CESG, CLB and/or provincial incentives to ensure it is an 'eligible' transfer with respect to the incentive.

Confirm the Transfer Meets all Transfer Conditions

If the transfer does not meet the conditions for any one of the incentives transferred, all incentives must be repaid to ESDC (this includes the CLB as well). For more detailed information, see **3. Implications When Transferring Funds to Another RESP** and **3.2 Transfer Conditions – Continued Eligibility for the Education Savings Incentives** earlier in this chapter.

5. Transfer Forms

It is mandatory to complete transfer forms each time an RESP transfer occurs, even if the transferring and receiving RESPs are administered by the same promoter. These forms are used to:

- request and record the transfer of funds from one RESP to another;
- facilitate the required exchange of information between RESP promoters;
- ensure compliance with legislative requirements in order to retain the CESG, CLB and/or provincial incentives in the RESP account; and
- collect the information that must be submitted electronically to the CESP system via an RT 400 financial transaction.

Subscribers and promoters work together to complete these forms and process transfer requests.

5.1. Forms Overview

The following three forms must be completed for each RESP transfer:

- **Form A – Subscriber**
(HRSDC SDE 0088)
- **Form B – Receiving promoter**
(HRSDC SDE 0089)
- **Form C – Relinquishing (Transferring) promoter**
(HRSDC SDE 0090)

You can download all of these forms, with guidelines for completing them, from the following ESDC Web page:

<http://www.esdc.gc.ca/eng/jobs/student/promoters/index.shtml#tab4>

A transfer can proceed only after all of the following forms have been completed by the appropriate parties:

- subscriber completes form A
- receiving promoter completes form B
- transferring promoter completes form C

The process begins when the subscriber completes form A. The transferring and receiving promoters must collaborate to complete form B and C and they must also share all completed forms.

5.2. Once the Forms have been Completed

Once RESP Transfer Forms are completed by both the receiving and transferring RESP promoters, they must enter the information into their respective electronic systems based on their internal procedures. This information must then be sent to the CESP via the RT 400 financial transaction. See also **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS), 4. Submitting Information to CESP.**

6. Guidelines for Successful Transfers

The following checklist is designed to help each RESP promoter take the necessary steps to ensure a successful transfer process.

Promoters are required to:

- complete their portion of the transfer form;
- share all necessary and accurate information with the other promoters;
- process the transfers in their systems and properly update notional accounts;
- report the transfers to the CESP in the format required by the CESP system ITS; and
- correct any transactions that are rejected due to errors.

See **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)**.

6.1. Mandatory Fields and ITS Requirements

When information is submitted electronically to the CESP system, each information element must conform to the ITS (e.g. its format, type, and number of characters per field).

All RESP promoters are responsible for ensuring that the information collected on the RESP transfer forms is accurate and compliant with CESP requirements.

6.2. Transfer Transaction Types

Each RESP promoter must submit transfer transactions to the CESP system. These transactions are reported in the RT 400 record; however, each RESP promoter must submit a specific Transaction Type. This will indicate the Transfer Out and Transfer In information.

- **Transfer Out transaction:** The transferring RESP promoter submits an RT 400-23.
- **Transfer In transaction:** The receiving RESP promoter submits an RT 400-19.

6.3. When there is a Pending Incentive

When submitting transfer transactions (RT 400) to the CESP system, both the transferring and receiving promoters must submit accurate amounts for all incentives being transferred. Information for a particular transfer can be submitted in a single transaction or in multiple transactions.

If there are pending incentive payments when the transfer is initiated, the transferring and receiving promoters must collaborate to ensure that complete and accurate information is submitted to the CESP once these pending incentives have been paid.

The transferring promoter remains responsible for administering the pending incentives paid into the RESP in respect of a beneficiary until this information has been successfully submitted to the CESP in a transfer transaction.

6.4. Processing Transfer Transactions

The CESP system generates and sends two types of transaction reports to the RESP promoters' Head Office at the end of each processing run (monthly). These reports are designed to verify the status of all the transfer transactions submitted to the CESP by RESP promoters and include:

- processed transfer transactions which report successfully processed transactions
- rejected transfer transactions which report transactions with errors that must be corrected

6.4.1. Processed Transfer Transactions

Processed transfer transactions are included in the Transaction Processing Report. This acknowledges that the transaction has passed all formatting and business rules.

6.4.2. Rejected Transfer Transactions

Rejected transfer transactions are included in the Transaction Error Report at the end of every monthly production run. This error report will include notice that validation has failed or information submitted is missing, incorrect, or incorrectly formatted. The rejected transaction must be corrected and resubmitted.

For more information about CESP system Record Types and Error Codes, see **Chapter 1-3: The CESP System and Interface Transaction Standards (ITS)**.

7. An Overview of the Transfer Process

The following represents an overview of the steps required to transfer RESP funds, along with related responsibilities.

To undertake the RESP transfer process:

Subscriber(s):

1. The subscriber requests the RESP promoter to transfer RESP funds, identifying:
 - the amount to be transferred; and
 - the name of the receiving financial institution (Receiving RESP promoter).

Transferring RESP Promoter:

2. The transferring promoter confirms that an AIP has not been made from the RESP.

Note: *RESP property cannot be transferred if an AIP has been made.*

3. Confirm the conditions for an “eligible” transfer of education savings incentives with the subscriber. See **3. Implications when Transferring Funds to Another RESP** and **3.2 Transfer Conditions – Continued Eligibility for the Education Savings Incentives** earlier in this chapter.

4. If it is a partial transfer, undertake the calculations required to determine the proportion of CESG and/or provincial incentives * to be transferred. See **4.1 Partial Transfers** earlier in this chapter.

** **Note:** The CLB is not included in this calculation. The subscriber will identify the amount of CLB to be transferred for each specific beneficiary, if any.*

Subscriber(s) and RESP Promoters:

5. Gather and/or provide the information necessary to transfer the funds and complete the RESP transfer forms (HRSDC SDE 0088, 0089 and 0090).

See **5. RESP Transfer Forms** earlier in this chapter.

RESP Promoters:

6. Obtain all of the required signatures on the transfer forms. It is suggested that the forms be completed and signed in duplicate.
7. Retain the signed versions of the RESP transfer forms, and file according to the organization's record keeping procedures.
8. Submit transfer transactions electronically to CESP.
 - Transfer out transactions: RT 400-23
 - Transfer in transactions: RT 400-19

For more information, see **6. Guidelines for Successful Transfers** earlier in this chapter.

Reporting Periods

Generally, reporting periods extend from the first to the last day of the same month. The RESP promoter has four (4) business days after the end of the reporting period to send files for processing by the CESP system. Any transactions which occurred after the last day of the reporting period cannot be included.

CESP:

9. Accepts and processes transfer transactions from RESP promoters via the CESP system. See **6. Guidelines for Successful Transfers** and **6.4. Processing Transfer Transactions** earlier in this chapter.



Important notice: This document is revised regularly. Visit the following address for the latest version:
http://www.esdc.gc.ca/eng/jobs/student/promoters/user_guide/index.shtml

Canada Education Savings Program – RESP Provider User Guide

CHAPTER 3-2

Post-Secondary Education and Educational Assistance Payments (EAPs)

An Educational Assistance Payment (EAP) is a payment from a Registered Education Savings Plan (RESP) to help an eligible beneficiary cover expenses associated with post-secondary education. An EAP consists of educational incentive amounts paid into an RESP, as well as the income earned on contributions and incentive amounts. The education savings incentives currently administered by Employment and Social Development Canada (ESDC) include:

- Canada Education Savings Grant (CESG)
- Canada Learning Bond (CLB)
- Alberta Centennial Education Savings Plan Grants (Alberta Grants)
- Saskatchewan Advantage Grant for Education Savings (SAGES)

To be eligible for an EAP, the beneficiary must be enrolled in a qualifying educational program at a post-secondary educational institution.

See **Appendix C** for a list of acronyms and terms used in this guide.

In this chapter

EAP

1. Defining Post-Secondary Education.....	3 – 2 – 2
2. Post-Secondary Educational Institutions	3 – 2 – 4
3. EAPs	3 – 2 – 5
4. EAP Limits	3 – 2 – 8
5. Processing an EAP Request.....	3 – 2 – 11
6. Calculating the EAP	3 – 2 – 14
7. Calculating the Incentive Portions of the EAP – In an RESP With Earnings.....	3 – 2 – 21
8. Calculating the Incentive Portions of the EAP – In an RESP Without Earnings.....	3 – 2 – 24
9. EAP Values Reported to the CESP.....	3 – 2 – 26

1. Defining Post-Secondary Education

When RESP beneficiaries are ready to attend post-secondary education, they may qualify for **EAPs** to help pay for related educational expenses.

In order to be eligible for an EAP, a beneficiary must be enrolled in a qualifying post-secondary educational program at a post-secondary educational institution.

Qualifying “post-secondary educational programs” and “post-secondary educational institutions” are defined by the Canada Revenue Agency (CRA).

Post-Secondary Level

A qualifying educational program must be at the post-secondary level for EAP purposes. A post-secondary course usually provides credit towards a degree, diploma, or certificate and students taking such a course have to have completed secondary school.

1.1. Qualifying Educational Programs – Full-time Studies

For EAP purposes, full-time studies (**qualifying educational programs**) require at least 10 hours of instruction or work each week for the duration of the program.

Instruction or work might include all forms of direct instruction, such as lectures, practical training, laboratory work, or time spent on research for a thesis.

The minimum course duration for full-time studies depends on the type of program and whether or not the educational institution is in Canada, as shown in the table below.

Type of Educational Institution	Location of Educational Institution	Minimum Duration of Course (consecutive weeks)
Universities	In Canada	3 weeks
	Outside of Canada	
Other post-secondary educational institutions	In Canada	3 weeks
	Outside of Canada	13 weeks

1.2. Specified Educational Programs – Part-time Studies

As of 2007, a payment may also be qualified as an EAP at the time it is made, if the beneficiary is at least 16 and is enrolled part-time as a student in a **specified educational program**.

A specified educational program means a program at a post-secondary school level that is not less than three consecutive weeks in duration and that requires each student taking the program to spend not less than 12 hours per month on courses in the program.

1.3. Distance Learning

For the purposes of an EAP, distance learning encompasses the use of technology and other delivery methods to provide off-site instruction and learning.

Beneficiaries taking distance education courses must meet the following two conditions to qualify for an EAP:

- Be enrolled in either a **qualifying educational program** (full-time) or **specified educational program** (part-time) as defined above.
- Be enrolled as a student at a post-secondary institution (see **2. Post-Secondary Educational Institutions** below).

For more information about programs, enrolment and study options, contact the CRA Individual Income Tax Enquiries Line at 1-800-959-8281.

2. Post-Secondary Educational Institutions

A post-secondary educational institution for the purposes of an EAP can be one of the following:

- a university, college or other educational institution in Canada designated by a provincial authority under the *Canada Student Loans Act*;
- a university, college or other educational institution in Canada designated by an appropriate authority under the *Canada Student Financial Assistance Act*;
- a university, college or other educational institution in Canada designated by the province of Quebec under an Act respecting financial assistance for education expenses;
- an educational institution in Canada certified by the Minister of ESDC to be an educational institution providing courses (other than courses designed for university credit) that furnish a person with skills for, or improve a person's skills in, an occupation; or
- a university, college, or other educational institution outside Canada that provides courses at a post-secondary school level.

The post-secondary educational institution must satisfy one of the criteria above to be eligible for EAP purposes. It is the promoter's responsibility to examine all relevant authorities to verify if an educational institution is recognized for EAP purposes.

2.1. Educational Institutions Recognized for EAP Purposes

To verify if a particular educational institution in Canada is designated under the *Canada Student Loans Act* or the *Canada Student Financial Assistance Act*, please contact your provincial or territorial student financial assistance office. To obtain the contact information for the student financial assistance office in your area, please contact Service Canada at 1-800-O-CANADA (1-800-622-6232) or visit ESDC's Web page at the following link:

<http://www.canlearn.ca/eng/common/help/contact/provincial.shtml>

The Canada Student Loans Program of ESDC produces a Master List of Designated Educational Institutions. All provinces, with the exception of the Northwest Territories, Nunavut, and the province of Quebec, participate in the Canada Student Loans Program. For more information regarding this list, please visit ESDC's Web page at the following link:

<http://www.canlearn.ca/eng/tools/designated/index.shtml>

For information regarding eligible post-secondary educational institutions in the province of Quebec, please contact Quebec's Loans and Bursaries Program at 1-877-643-3750 or visit their Web page at the following link:

<http://www.afe.gouv.qc.ca/en/pretsBourses/index.asp>

To verify if a particular educational institution in Canada has been certified by the Minister of ESDC, please contact ESDC's Certification Program at 1-866-517-5650 or visit their webpage at the following link:

<http://certification.hrsdc.gc.ca/h.4m.2@-eng.jsp?fb=Y>

The CRA individual income tax enquiries line can provide information regarding eligible educational institutions within Canada as well. Please contact one of the following numbers:

- 1-800-959-8281 (English)
- 1-800-959-7383 (French)

Eligible educational institutions outside of Canada do not have to be on a list for EAP purposes. In order for an EAP to be paid out, the educational institution must provide courses at a post-secondary school level and the beneficiary must have been enrolled in a course of not less than 13 consecutive weeks (3 weeks for university programs).

3. EAPs

An EAP is a payment from an RESP to help an eligible beneficiary cover expenses associated with post-secondary education.

An EAP is comprised of amounts from specific **accounts** in the RESP, including RESP earnings and any incentives received by the beneficiary, as illustrated below.

$$\text{EAP} = \text{Earnings} + \text{Federal Incentives} + \text{Provincial Incentives}$$

Provincial Incentives

Provincial incentives are payments to an RESP through a **designated provincial program**. At this time, there are three designated provincial programs with the following provincial incentives:

- Alberta Grants
- SAGES
- QESI

3.1. Can Incentives and Earnings in the Plan be Shared?

Specific rules govern the sharing of incentives and earnings, depending on the type of incentive and the type of plan, as summarized in the table below:

Incentive	Family Plans		Group Plans
	Share Incentive?	Share Earnings?	Share Incentive and Earnings?
Basic CESG	Yes, with cousins or siblings		No
Additional CESG	Yes, with siblings only		No
CLB	No	Yes, with siblings only	No
Alberta Grants	Yes, with siblings only		No
SAGES	Yes, with siblings or cousins*		No

The Additional CESG, CLB, Alberta Grants and SAGES amounts can be paid only into individual plans or family plans in which all beneficiaries are siblings.

** While SAGES can only be paid into a sibling-only plan, a cousin can be added to the plan without having to repay the SAGES already in the RESP.*

For more information, refer to the relevant chapter in **Section 2: Education Savings Incentives**.

3.2. Income for the Beneficiary

The beneficiary must claim the EAP as income; however, depending on the beneficiary's circumstances, there may not be a requirement to pay any taxes on this amount. The RESP promoter issues a T4A slip for income tax purposes.

3.3. The RESP Promoter's Responsibility

The RESP promoter's responsibilities include the following:

- Confirm that beneficiaries qualify for an EAP (See following section).
- Respect the limits associated with EAPs.
- Calculate the portion of EAP, which is attributable to each of the related accounts (earnings and incentives).
- Make and verify the EAP.
- Inform beneficiaries, in writing, of the amount(s) of incentive(s) they are receiving with each EAP, and the obligation of beneficiaries to repay any CESG and CLB portion of an EAP to which they are not entitled to, including any portion of an EAP attributable to CESG that exceeds \$7,200.

3.4. Confirm Beneficiaries Qualify for an EAP

Before making an EAP, the RESP promoter is responsible for confirming that beneficiaries qualify by obtaining proof of enrolment at a post-secondary educational institution in one of the following programs:

- **Qualifying Educational Program, or**
- **Specified Educational Program**

See **1.1 Qualifying Educational Programs – Full-time Studies** and **1.2 Specified Educational Programs – Part-time Studies** earlier in this chapter.

See **5. Processing an EAP request – Six Month Grace Period** later in this chapter.

An RESP promoter is not required to obtain receipts from a beneficiary as proof of expenses before making an EAP. The RESP promoter determines whether the EAP helps further the beneficiary's education, whether it is reasonable, and whether the payment complies with requirements of the ITA and the terms of the plan.

On August 12, 2008, a yearly EAP threshold of \$20,000, indexed annually by the Consumer Price Index, was established by CRA to assist promoters in determining the reasonableness of an EAP request. The CRA will not question legitimate EAP requests below \$20,000, nor will the promoters be expected to assess the reasonableness of each expense item, as long as the conditions permitting an EAP are met. For more information, see the RESP Bulletin No. 1 at the following CRA Web address:

<http://www.cra-arc.gc.ca/tx/rgstrd/blltn/rspblltn01-eng.html>

As of June 16, 2006, a **Verification of Enrolment** form has been approved. The form may be used by Canadian universities and colleges to provide their students with the documentation needed for the completion of the RESP agreement forms. This form can be downloaded at the following Web address:

<http://www.arucc.ca/resp.htm>

4. EAP Limits

An EAP can only be used to pay actual post-secondary educational expenses. Therefore, there are specific limits on the amount of EAPs.

These limits depend on post-secondary enrolment criteria (i.e. how long the beneficiary has been enrolled) and on whether the RESP was opened before or after 1998.

4.1. Full-time Studies – \$5,000 EAP Limit for First 13 Weeks

During the first 13 weeks of enrolment in full-time studies, for plans entered into after 1998, the maximum amount of EAPs that can be made to a beneficiary is normally the lesser of \$5,000 and the total allowable expenses. See also **5.1.1 Full-Time Studies – EAPs in Excess of \$5,000** later in this chapter.

After completing 13 consecutive weeks of full-time studies in a qualifying educational program, the maximum amount of EAPs that can be made to a beneficiary is the total allowable expenses, provided that the beneficiary continues to be eligible for such payments. See **3.4. Confirm Beneficiaries Qualify for an EAP** above.

If there is a 12-month period during which the beneficiary is not enrolled in a qualifying educational program for 13 consecutive weeks, the \$5,000 limit will once again apply.

Note: Contributions withdrawn by the subscriber while a beneficiary qualifies for EAPs are not included in this \$5,000 limit.

The total amount of EAPs made to the individual under the RESP (and other RESPs of the same promoter) in the first 13 consecutive weeks of enrolment, cannot exceed the limit of \$5,000. Therefore, if a beneficiary has multiple RESPs with a single promoter, the \$5,000 limit applies across all plans held with that promoter. However, the limit does not apply across plans held by different promoters.

Example

Sandra has been enrolled for the past two years as a full-time student in a post-secondary education program that qualifies for an EAP.

- In September of her first academic year, Sandra could only receive a maximum amount of \$5,000 in EAPs because she was not enrolled in the previous 12 months.
- In September of her second consecutive academic year, the \$5,000 limit no longer applies because she was enrolled for at least 13 consecutive weeks in the previous 12 month period.

4.2. Part-time Studies – \$2,500 EAP Limit for the 13 Weeks Preceding Payment

For the 13-week period of enrolment in part-time studies preceding the payment of an EAP, the maximum amount of EAP that can be paid to a beneficiary is the lesser of \$2,500 and the total of all allowable expenses. See also 5.1.2. **Part-Time Studies – EAPs in Excess of \$2,500** later in this chapter.

Note: Contributions withdrawn by the subscriber while a beneficiary qualifies for EAPs are not included in this \$2,500 limit.

The total amount of EAPs made to the individual under the RESP (and other RESPs of the same promoter) in the preceding 13-week period cannot exceed the limit of \$2,500. Therefore, if a beneficiary has multiple RESPs with a single promoter, the \$2,500 limit applies across all plans held with that promoter. However, the limit does not apply across plans held by different promoters.

Example 1

Jane (17 years old) is an RESP beneficiary in an individual (non-family) plan, enrolled in a part-time post-secondary program for a total of 26 weeks which involves 16 hours of courses per month. Jane satisfies the required conditions for a **specified educational program** because:

- Jane is at least 16 years old.
- She is studying at a post-secondary level.
- The program is not less than 3 consecutive weeks.
- There are no less than 12 hours of courses per month.

The actual educational expense for the program is \$6000 and the subscriber would like to request the following EAP payments for Jane on the dates shown.

Date	Sept 10	Oct 22	Dec 17	Feb 4	Mar 10
EAP Requested	\$1000	\$200	\$1,300	\$1,200	\$1,300
Approve EAP Request?	Yes	Yes	Yes	Yes	No

Promoters must assess each EAP request individually to determine whether it exceeds the \$2500 limit for part-time studies.

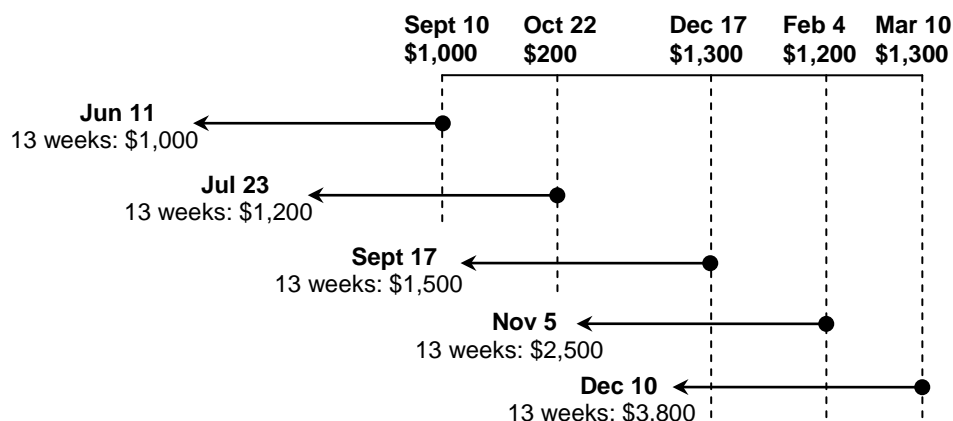
Sept 10: The request for \$1,000 on September 10 is approved because it does not exceed the \$2,500 limit. (There were no previous EAP requests).

Oct 22: The request for \$200 on October 22 is approved because only two EAP requests are within a 13 week period and their sum (\$1000 + \$200 = \$1,200) does not exceed \$2,500.

Dec 17: The request for \$1300 on December 17 is approved because only two EAP requests are within a 13 week period and their sum (\$1300 + \$200 = \$1,500) does not exceed \$2,500.

Feb 4: The request for \$1200 on February 4 is approved because only two EAP requests are within a 13 week period and their sum (\$1300 + \$1,200 = \$2,500) does not exceed \$2,500.

Mar 10: The request for \$1,300 on March 10 is refused because there were already two EAP payments (total of \$2,500) in the past 13 weeks. Beneficiaries can request EAPs greater than \$2,500. See **5.1.2 Part-Time Studies – EAPs in Excess of \$2,500** later in this chapter.



Example 2

John is an eligible beneficiary enrolled in a 26-week program of part-time studies costing \$5,000. He requests an EAP payment of \$2,000 in week 1 and is paid this amount because it does not exceed \$2,500. In week 15 John is eligible for another EAP payment of \$2,500. He would like to request the balance of his tuition which is \$3,000. As this would exceed the \$2,500 limit for part-time studies, John could request an EAP amount of \$2,500 and if there are contributions in the RESP, ask the subscriber for the remaining \$500 in a PSE contribution withdrawal. An alternative would be to make a request to the Minister to receive an EAP for the full amount of \$3,000. See **5.1.2. Part-Time Studies – EAPs in Excess of \$2,500** later in this chapter.

4.3. EAP Limits for RESPs Opened Before 1998

Different EAP rules may apply to those RESPs opened before 1998 which were not amended to comply with the ITA amendments of January 1, 1999.

These RESPs existed before the CESG was introduced and are considered to be “grandfathered”. Rules applying to “grandfathered” RESPs entered into before 1998 may include the following:

- Some plans may permit EAPs for part-time studies – without any restrictions.
- For some plans, there is no limit on the amount of the EAP during the first thirteen weeks of a qualifying post-secondary educational program.

For more information contact the CRA Registered Plans Directorate at 1-800-267-3100.

5. Processing an EAP Request

The RESP promoter is responsible for verifying **each EAP** request under or over \$5,000, whether it is the beneficiary's first or last one, to ensure that the beneficiary is eligible for the EAP. The process for obtaining and approving each EAP request is as follows:

- | | |
|-----------------------|---|
| Beneficiary: | 1. Must be enrolled* as a student in a qualifying program at a designated post-secondary educational institution. |
| Subscriber: | 2. Contacts the RESP promoter and requests the EAP. |
| RESP Promoter: | 3. Verify whether the beneficiary is enrolled* as a student in a qualifying program in a designated post-secondary educational institution recognized by the CRA. |
- See **1. Defining Post-Secondary Education** and **2. Post-Secondary Educational Institutions** earlier in this chapter.
4. Verify whether the amount requested covers valid educational expenses which will help the beneficiary further their education.
- The RESP promoter's organization may have established guidelines or policies with respect to acceptable educational expenditures.
5. Verify how long the beneficiary was enrolled as a student to determine if any limits will be applied to the EAP request. See **4. EAP Limits** later in this chapter.
- If there is a 12-month period when the beneficiary was not enrolled in a qualifying educational program, the \$ 5,000 limit will apply once again.
6. Calculate the EAP.
- When an EAP is requested, there are specific rules that determine how the EAP is calculated. These rules are necessary to track payments from the RESP, in case repayment of all or a portion of the incentive account is required. **6. Calculating the EAP**, below.
7. Inform beneficiaries, in writing, of the amount(s) of incentive(s) they are receiving with each EAP, and the obligation of beneficiaries to repay any CESG and CLB portion of an EAP to which they are not entitled to, including any portion of an EAP attributable to CESG that exceeds \$7,200.
- | | |
|--------------------|--|
| Subscriber: | 8. Requests the return of their contributions, if desired. |
|--------------------|--|
- The subscriber can withdraw contributions without restrictions or give them to the beneficiary.

Six-Month Grace Period

There is a six-month grace period for receiving an EAP which allows for more flexibility for a beneficiary to access RESP savings. Under this measure, an RESP beneficiary is eligible to receive an EAP for up to six months after ceasing to be enrolled in a qualifying program, provided that the beneficiary would have qualified while still enrolled.

5.1. Special Requests for EAPs in Excess of the \$5,000 or \$2,500 Limits

5.1.1. Full-Time Studies – EAPs in Excess of \$5,000

Note: Contributions are not included as part of an EAP.

The Minister of ESDC may approve the payment of an EAP over the \$5,000 limit, in response to a written request.

If the RESP promoter concludes that an EAP of over \$5,000 during the first thirteen weeks of studies is required, then the promoter must follow this procedure:

1. Obtain a **Request for an Educational Assistance Payment (EAP) Over \$5,000 from a Registered Education Savings Plan (RESP)** form and request the beneficiary to complete and sign this form.

Obtaining the Required Form

The above form and a related guideline document can be forwarded to RESP promoters via e-mail upon request. Requests can be made by:

Telephone: 1-888-276-3624
Fax: 1-819-953-6500
E-mail: cesp-pcee@hrsdc-rhdcc.gc.ca

2. Sign the form as a representative of the RESP promoter.
3. Mail the completed form to:

Canada Education Savings Program, ESDC
140 Promenade du Portage, Phase IV
Gatineau, Quebec
K1A 0J9

Note: Due to privacy concerns, this information should not be submitted electronically.

4. CESP will review and either approve or deny the request. The promoter will receive a written reply of the CESP decision. Both the beneficiary and CRA's Compliance Division will also be notified of the decision.

5.1.2. Part-Time Studies – EAPs in Excess of \$2,500

Note: Contributions are not included as part of an EAP.

The Minister of ESDC may approve the payment of an EAP over the \$2,500 limit, in response to a written request.

If the RESP promoter concludes that an EAP of over \$2,500 is required for a specific 13 week period, then the promoter must follow this procedure:

1. Obtain a **Request for an Educational Assistance Payment (EAP) Over \$2,500 from a Registered Education Savings Plan (RESP)** form and request the beneficiary to complete and sign this form.

Obtaining the Required Form

The above form and a related guideline document can be forwarded to RESP promoters via e-mail upon request.

Requests can be made by:

Telephone: **1-888-276-3624**

Fax: **1-819-953-6500**

E-mail: **cesp-pcee@hrsdc-rhdcc.gc.ca**

2. Sign the form as a representative of the RESP promoter.
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140 Promenade du Portage, Phase IV
Gatineau, Quebec
K1A 0J9

Note: Due to privacy concerns, this information should not be submitted electronically.

4. CESP will review and either approve or deny the request. The promoter will receive a written reply of the CESP decision. Both the beneficiary and CRA's Compliance Division will also be notified of the decision.

6. Calculating the EAP

An EAP includes a portion from each of the following RESP notional accounts if they are available to the beneficiary receiving the EAP:

- accumulated income (earnings)
- CESG, including Additional CESG
- CLB
- provincial incentives
(accounts maintained for each designated provincial program)

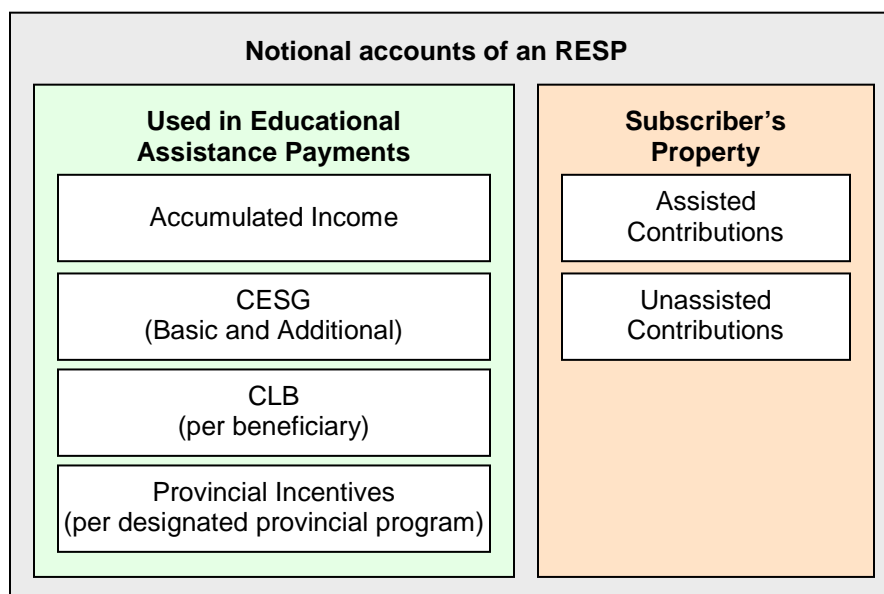
Provincial Incentives

An RESP promoter must be able to track transactions associated with each of the **designated provincial programs** that the promoter delivers to the public.

For example:

- Promoters delivering Alberta Grants will have RESP accounts to track all activities associated with Alberta Grants.
- Promoters delivering SAGES will have RESP accounts to track all activities associated with SAGES.
- Promoters delivering the QESI will have RESP accounts to track all activities associated with QESI.

RESP contributions are the subscriber's property. Contributions withdrawn when a beneficiary is eligible for an EAP (post-secondary education contribution withdrawals) are not included in EAP amounts.



6.1. The EAP Calculation Process

EAP formulas determine how much to withdraw from RESP accounts when a promoter makes an EAP. These formulas result in the same proportion being taken from each RESP account available to the beneficiary receiving an EAP.

The RESP promoter takes the following steps to calculate EAP payments:

1. Determine if the RESP includes accumulated income.
2. Determine amounts available to the beneficiary.
3. Calculate EAP portions to withdraw from each available account.

6.1.1. Determine if the RESP Includes Accumulated Income

Promoters must use different EAP formulas depending on whether or not there is accumulated income (earnings) in the plan. Therefore, the first step in the EAP calculation process is to determine if there is accumulated income.

RESP notional accounts are the book value of an RESP, which may not reflect the actual value of plan assets. An RESP has accumulated income when the current fair market value of RESP assets is greater than the combined total of the following RESP accounts:

- assisted contributions
- unassisted contributions
- CESG
- CLB
- all provincial incentives

6.1.2. Determine Amounts Available to the Beneficiary

As there is only one beneficiary in an individual plan, accumulated income and all incentive amounts in individual plans are available for an EAP.

In family plans, the following amounts could be available for a single beneficiary receiving an EAP from the plan:

- accumulated Income
- all CESG amounts (includes Basic and Additional CESG)
- all Alberta Grant amounts
- all SAGES amounts
- only the CLB account balance for the beneficiary receiving the EAP

Sharing of Other Provincial Incentives in Family Plans

The sharing of a provincial incentive may or may not apply for other designated provincial programs. Consult the provincial authority.

Residency Requirements for an EAP

CRA determines residency status for tax purposes. Beneficiaries can study outside of Canada and still be considered by CRA as residents of Canada. For more information, contact CRA at 1-800-959-8281 (English) or 1-800-959-7383 (French).

Promoters must consider a beneficiary's residency status to determine whether or not an RESP notional account is available for an EAP.

- **Accumulated Income (Earnings):** If a beneficiary is enrolled in a qualifying program, earnings may be included in an EAP even if the beneficiary is not a resident of Canada when the EAP is made. Consult CRA for more information.
- **CESG:** To receive CESG in an EAP, the beneficiary must be a resident of Canada when the EAP is made.
- **CLB:** To receive CLB in an EAP, the beneficiary must be a resident of Canada when the EAP is made.
- **Alberta Grants:** If a beneficiary is enrolled in a qualifying program, Alberta Grants may be included in an EAP payment, even if the beneficiary is not a resident of Canada when the EAP is made.
- **SAGES:** To receive SAGES in an EAP, the beneficiary must be a resident of Canada when the EAP is made.
- **Other Provincial Incentives:** Consult the provincial authority for EAP residency criteria.

6.1.3. Calculate EAP Portions to Withdraw from Each Available Account

The RESP promoter uses the following formulas to calculate EAP portions attributable to each incentive amount available in an RESP. Note that these formulas differ if there has been a loss in the plan (no accumulated income).

Incentive	Formulas for Calculating EAP Incentive Portions	
	RESP With Earnings	RESP with no Earnings
CESG	$(A \times F) / (C - D - E)$	$(A \times F) / (B + F + G)$
CLB	$(A \times B) / (C - D - E)$	$(A \times B) / (B + F + G)$
Alberta Grants	$(A \times H) / (C - D - E)$	$(A \times H) / (B + F + G)$
SAGES	$(A \times J) / (C - D - E)$	$(A \times J) / (B + F + G)$
Other Provincial Incentives	$(A \times Y) / (C - D - E)$	$(A \times Y) / (B + F + G)$

Where:

- A** is the amount of the EAP.
- B** is the balance in the beneficiary's CLB Account of the RESP immediately before the EAP is made.
- C** is the fair market value of the property held in connection with the RESP, determined immediately before the EAP is made.
- D** is the total of all contributions made to the RESP before the EAP is made that have not been withdrawn.
- E** is the total in all CLB Accounts of the other beneficiaries under the RESP immediately before the EAP is made.
- F** is the balance in the CESG Account of the RESP immediately before the EAP is made.
- G** is the total of all amounts paid into the RESP under a designated provincial program (total of all provincial incentive account balances in the RESP immediately before the EAP is made).
- H** is the balance in the Alberta Grants Account of the RESP immediately before the EAP is made.
- J** is the balance in the SAGES Account of the RESP immediately before the EAP is made.
- Y** is the balance in another provincial incentive account of the RESP immediately before the EAP is made.

Formulas for Other Provincial Incentives

Other provincial incentives could use formulas with different variable letters but achieve the same end results.

Calculations for a particular EAP must be performed using the same set of the above values for each amount available in an EAP. RESP accounts are updated to reflect the amounts deducted, only after EAP portions have been calculated for all of the available RESP amounts.

6.2. Understanding EAP Formulas

EAP formulas help to ensure that promoters withdraw the same proportion from each of the RESP accounts available to the beneficiary for an EAP.

6.2.1. When the RESP has Accumulated Income

When promoters make an EAP, they must take the same proportion from each of the RESP accounts available for the beneficiary taking the EAP. For example, when there are accumulated earnings, the EAP formula (see 6.1.3 above) for the CESG amount is:

$$(A \times F) / (C - D - E)$$

Promoters can rearrange this formula into a [proportion] x [account balance] format where the [proportion] is the same amount for all available accounts:

$$\begin{array}{ccc} A / (C - D - E) & \times & F \\ \text{[proportion]} & \times & \text{[account balance]} \end{array}$$

Where:

A is the amount of the EAP.

C is the fair market value of the property held in connection with the RESP, determined immediately before the EAP is made.

D is the total of all contributions made to the RESP before the EAP is made that have not been withdrawn.

E is the total in all CLB Accounts of the other beneficiaries under the RESP immediately before the EAP is made.

F is the balance in the CESG Account of the RESP immediately before the EAP is made.



Key Concept

The same proportion is taken from all available RESP accounts in an EAP.

Proportion to withdraw when there is accumulated income

When there is accumulated income, the proportion to withdraw from each available RESP account is equal to $A / (C - D - E)$.

$(C - D - E)$ is the result of taking contributions and the CLB of the other beneficiaries from the fair market value. In other words, this expression represents the amount available to a particular beneficiary for an EAP.

Maximum EAP amount when there is accumulated income

When there is accumulated income in the plan, the maximum EAP amount available to a particular beneficiary is equal to $(C - D - E)$.

6.2.2. When the RESP has no Accumulated Income (Loss in the Plan)

When promoters make an EAP, they must take the same proportion from each of the RESP accounts available for the beneficiary taking the EAP. For example, when there are no accumulated earnings, the EAP formula (see 6.1.3 above) for the CESG amount is:

$$(A \times F) / (B + F + G)$$

Promoters can rearrange this formula into a [proportion] x [account balance] format where the [proportion] is the same amount for all available accounts:

$$\begin{array}{ccc} A / (B + F + G) & \times & F \\ \text{[proportion]} & \times & \text{[account balance]} \end{array}$$

Where:

A is the amount of the EAP.

B is the balance in the beneficiary's CLB Account of the RESP immediately before the EAP is made.

F is the balance in the CESG Account of the RESP immediately before the EAP is made.

G is the total of all amounts paid into the RESP under a designated provincial program (total of all provincial incentive account balances in the RESP immediately before the EAP is made).



Key Concept

The same proportion is taken from all available RESP accounts in an EAP.

Proportion to withdraw when there is no accumulated income

When there is no accumulated income, the proportion to withdraw from each available RESP account is equal to " $A / (B + F + G)$ ".

" $(B + F + G)$ " is the result of combining the CLB account for the beneficiary with the CESG account balance and the combined amounts of all provincial incentives. In other words, this expression represents the amount available to a particular beneficiary for an EAP.

Maximum EAP amount available when there is no accumulated income

When there is no accumulated income in the plan, the maximum EAP amount available to a particular beneficiary is equal to " $(B + F + G)$ ".

If there is a significant loss in the plan, the fair market value could be less than this amount. In that situation, the maximum EAP amount available is the fair market value of the plan.

7. Calculating the Incentive Portions of the EAP – In an RESP With Earnings

The following example is used to demonstrate how to calculate EAP payments when there is accumulated income in the plan.

Example :

Calculating an EAP when there ARE Accumulated Earnings

Phillip and Mark are brothers and are beneficiaries in a family plan. An **EAP of \$3,500 (A)** is requested for Phillip. At the time of the EAP request, the market value of the RESP is **\$48,000 (C)**, with accumulated earnings of \$14,900. Before the EAP request, the CLB account balances were \$2000 for Phillip and \$1,700 for Mark. The other RESP account balances are summarized below:

CLB of others	Contributions	CESG	CLB of Phillip	Alberta Grants	Earnings
(E)	(D)	(F)	(B)	(H)	
\$1,700	\$23,000	\$5,900	\$2,000	\$500	\$14,900

Letters to use for Provincial Incentives

G is the total of all amounts paid into the RESP under a designated provincial program.

H is the balance in the Alberta Grants Account of the RESP immediately before the EAP is made.

In this example, there is only one provincial incentive which means $G = H = \$500$.

7.1. Step 1 – Determine if the RESP Includes Accumulated Income

The fair market value of \$48,000 is more than the sum of the following RESP accounts (\$33,100):

- \$23,000 = Assisted and unassisted contributions
- \$5,900 = CESG
- \$3,700 = CLB
- \$500 = All Provincial Incentives

The difference between the fair market value (\$48,000) and the above accounts (\$33,100) is the accumulated income (earnings) of \$14,900. This confirms that there is actually accumulated income in the plan at the time of the EAP.

7.2. Step 2 - Determine Amounts Available to Beneficiary

Before undertaking the required calculations, the RESP promoter must identify the total available assets from which the beneficiary's EAP will be paid.

The CESG, CLB, Alberta Grants, and earnings will be paid out in an EAP in proportion to their value in the RESP. **(Contributions are not counted here as contributions remain the property of the subscriber and do not make up part of the EAP).** Using the example above, these amounts would include:

Total CESG:	\$ 5,900	(25%)
Beneficiary's CLB:*	\$ 2,000	(9%)
Total Alberta Grants:	\$ 500	(2%)
Total Earnings:	<u>\$14,900</u>	(64%)
Total:	\$23,300	(100%)

** Since the CLB is directed to a specific beneficiary, the beneficiary requesting the EAP is eligible for only the CLB paid on his or her own behalf.*

Each amount is represented by the percentage of their value in the RESP. Once the calculations for each incentive available to the beneficiary have been completed, each portion of these accounts making up the EAP will be represented by the same percentages.

7.3. Step 3 – Calculate EAP Portions to Withdraw from each Available Account

The following values are needed to calculate the EAP portion that must be taken from each available account (see 6.2.1 above):

A = Amount of EAP	\$ 3,500
C = RESP Market Value	\$48,000
D = Total of all RESP Contributions	\$23,000
E = Total CLB – Other Beneficiaries	\$ 1,700 (Mark's CLB account)

The proportion to take from each available RESP account is:

$$A / (C - D - E) = 3500 / (48,000 - 23,000 - 1,700) = * 0.1502145$$

The EAP portions to take from each account would be:

CESG portion	\$ 5,900	x 0.1502145	= \$ 886.26
Beneficiary's CLB portion	\$ 2,000	x 0.1502145	= \$ 300.43
Alberta Grants portion	\$ 500	x 0.1502145	= \$ 75.11
Earnings portion	\$14,900	x 0.1502145	= \$ 2,238.20
Total EAP	\$23,300	x 0.1502145	= \$ 3,500

** Rounded for illustration purposes.*

7.4. Breakdown of the EAP

Once the calculations have been completed, the value of each account making up the EAP can be compared with the value of these accounts in the RESP.

Before the EAP

Total CESG:	\$ 5,900	(25%)
Beneficiary's CLB:*	\$ 2,000	(9%)
Total Alberta Grants:	\$ 500	(2%)
Total Earnings:	<u>\$14,900</u>	(64%)
Total:	\$23,300	(100%)

The EAP will be made up of these amounts in proportion to their value in the RESP. Notice how corresponding values in the EAP compare. For the sake of simplicity, the values below have been rounded to whole numbers.

EAP Amounts

CESG portion	\$ 886	(25%)
CLB portion	\$ 300	(9%)
Alberta Grants portion	\$ 75	(2%)
Earnings	<u>\$ 2,240</u>	(64%)
Total EAP	\$ 3,500	(100%)

The above calculations demonstrated how to calculate the EAP when the RESP included accumulated earnings. The following pages will outline the process for calculating each incentive portion of the EAP when there are no accumulated earnings (there is a loss) in the RESP.

8. Calculating the Incentive Portions of the EAP – in an RESP Without Earnings

An RESP has no accumulated earnings when the fair market value is equal to or less than the total of the following RESP accounts (contributions and incentives):

- assisted contributions
- unassisted contributions
- CESA
- CLB
- all provincial incentives

All losses are first attributed to accumulated earnings and then to contributions. When losses have depleted the accumulated earnings and contributions to nil, then the remaining losses – if any – are considered to be attributed to the incentives. However, losses are not actually deducted from RESP accounts when making EAP calculations. Notional account values are updated, only after making an EAP, to reflect the actual amounts that were taken from each available account.

The following example is used to demonstrate how to calculate EAP payments when there is no accumulated income in the plan.

Example :

Calculating the EAP when there are NO Accumulated Earnings

John is the RESP beneficiary in an individual (non-family) plan. An **EAP of \$2,000 (A)** is requested for John. At the time of the EAP request, the market value of the RESP is **\$3,000 (C)**. Before the EAP request, the CLB account balance was \$1,700 for John. The other RESP account balances are summarized below:

CLB of others (E)	Contributions (D)	CESG (F)	CLB of John (B)	Alberta Grants (H)	Earnings
\$0	\$9,000	\$2,300	\$1,700	\$200	\$0

8.1. Step 1 – Determine if the RESP Includes Accumulated Income

The fair market value of the RESP (\$3,000) is less than the combined value of contributions and incentive account balances (\$13,200) for a loss of \$10,200 at the time of the EAP. There is no accumulated income in this plan.

As losses are first attributed to accumulated earnings, the earnings account is set to \$0.

8.2. Step 2 – Determine Amounts Available to Beneficiary

Before undertaking the required calculations, the RESP promoter must identify the total available assets from which the beneficiary's EAP will be paid.

These amounts would include:

Beneficiary's CLB:*	\$ 1,700	(40%)
Total CESG:	\$ 2,300	(55%)
Total Alberta Grants:	\$ 200	(5%)
Total:	\$ 4,200	(100%)

** Since the CLB is directed to a specific beneficiary, the beneficiary requesting the EAP is eligible for only the CLB paid on his or her own behalf. As this is an individual plan, there is only one CLB account.*

Once again, each amount is represented by a percentage of their value in the RESP. Once calculations for each incentive available to the beneficiary have been completed, each portion of these accounts making up the EAP will be represented by the same percentages.

8.3. Step 3 – Calculate EAP Portions to Withdraw from each Available Account

The CLB, CESG, and Alberta Grants will be paid out in an EAP in proportion to their value in the RESP.

The following values are needed to calculate the EAP portion that must be taken from each available account:

A = Amount of EAP	\$ 2,000
B = CLB of beneficiary taking EAP	\$ 1,700
F = Total of CESG	\$ 2,300
G = Total of all provincial incentives	\$ 200

When there is no accumulated income, the proportion to take from each available RESP account is (see 6.2.2 above):

$$A / (B + F + G) = 2000 / (1700 + 2300 + 200) = * 0.4761904$$

Therefore, the EAP portions to take from each account would be:

CESG portion	\$ 2,300	x 0.4761904	=	\$ 1,095.24
Beneficiary's CLB portion	\$ 1,700	x 0.4761904	=	\$ 809.52
Alberta Grants portion	\$ 200	x 0.4761904	=	\$ 95.24
Total EAP	\$ 4,200	x 0.4761904	=	\$ 2000

** Rounded for illustration purposes.*

8.4. Breakdown of the EAP

Once the calculations have been completed, the value of each account making up the EAP can be compared with the value of these accounts in the RESP.

Before EAP

Total CESG:	\$ 2,300	(55%)
Beneficiary's CLB:	\$ 1,700	(40%)
Total Alberta Grants:	<u>\$ 200</u>	(5%)
Total:	\$ 4,200	(100%)

The EAP will be made up of these amounts in proportion to their value in the RESP. Notice how corresponding values in the EAP compare. (For the sake of simplicity, the values have been rounded to whole numbers).

EAP Amounts

CESG portion	\$ 1,095	(55%)
CLB portion	\$ 810	(40%)
Alberta Grants portion	<u>\$ 95</u>	(5%)
Total EAP	\$ 2,000	(100%)

9. EAP Values Reported to the CESP

When promoters process an EAP for a beneficiary, they must report the corresponding information electronically to the CESP (RT 400-13).

Requirements for these EAP transactions are specified in the CESP Interface Transaction Standards which can be downloaded from the following Web site address:

<http://www.esdc.gc.ca/eng/jobs/student/promoters/index.shtml#tab3>

Included with the various information that must be submitted in EAP transactions are the following amounts:

- EAP Amount
- EAP CESG Amount
- EAP CLB Amount
- EAP Alberta Grants Amount
- EAP SAGES Amount

CESP does not administer the QESI. Therefore, promoters are not required to report specific QESI amounts in EAP transactions reported to the CESP. However, if there are QESI amounts in an EAP, they must be included in the total EAP Amount reported to the CESP.

Reporting other QESI data to the CESP

Promoters must include all assets in RESPs when reporting the FMV of an RESP in their monthly summary reports (RT 700). As such, the FMV amount should include saving incentives from all sources present in the RESP, including the QESI if applicable.



Important notice: This document is revised regularly. Visit the following address for the latest version:
http://www.esdc.gc.ca/eng/jobs/student/promoters/user_guide/index.shtml

Canada Education Savings Program – RESP Provider User Guide

CHAPTER 3-3

Options for Assets Remaining in the RESP

The Educational Assistance Payments (EAPs) is any amount, other than a refund of payments, paid out of a Registered Education Savings Plan (RESP) for a beneficiary attending post-secondary education.

Under certain circumstances, subscribers may need to make decisions about handling assets that may remain in the RESP after the beneficiary has completed their education or if the beneficiary chooses not to attend or complete post-secondary education. These assets may also include the following education savings incentives administered by Employment and Social Development Canada (ESDC):

- Canada Education Savings Grant (CESG)
- Canada Learning Bond (CLB)
- Alberta Centennial Education Savings Plan Grants (Alberta Grants)
- Saskatchewan Advantage Grant for Education Savings (SAGES)

This chapter is designed to assist the RESP promoter in describing outline options available to the subscriber for handling the RESP property – including earnings – that may still remain in the plan.

See **Appendix C** for a list of acronyms and terms used in this guide.

In this chapter



1. Option: When Assets Remain in the RESP	3 – 3 – 2
2. Option: Distributing Earnings if Terminating the RESP	3 – 3 – 3
3. Accumulated Income Payments	3 – 3 – 3
4. Rollover of RESP Investment Earnings to an RDSP	3 – 3 – 5
5. Rollover of RESP Investment Earnings to an RRSP	3 – 3 – 10
6. Payments to a Designated Educational Institution.....	3 – 3 – 10
7. Forfeited CESG and Earnings on the CESG in Group Plans.....	3 – 3 – 11

1. Option: When Assets Remain in the RESP

If the beneficiary has completed post-secondary education, or has decided not to attend or complete post-secondary education, the plan may still hold contributions, earnings, and perhaps even the incentives paid into the plan by ESDC.

The RESP promoter can help the subscriber in choosing the most appropriate option for handling these remaining amounts, based on the subscriber's circumstances.

Note: *Certain options may impact the incentives in the plan requiring the CESG, CLB, Alberta Grants and SAGES to be repaid. Refer to the information about repaying the incentives in the related chapter(s) in **Section 2: Education Savings Incentives**.*

1.1. Options for Handling RESP Property Remaining in the RESP

Note the following options for distributing the property that may remain in the RESP:

- **Leave the money in the RESP** until the plan is terminated.
The RESP must be terminated by the end of the 35th year (40th year in the case of a specified plan) after the year the plan was opened.
- **Replace the beneficiary**, if permitted under the terms and conditions of the plan.
The replacement beneficiary must comply with the sibling-only requirement associated with Additional CESG, CLB and Alberta Grants. Otherwise, these incentives must be repaid. While SAGES can only be paid into a sibling-only plan, a cousin can be added to the plan without having to repay the SAGES already in the RESP.
- **Transfer the funds to another RESP**, if permitted under the terms and conditions of the plan.
*Regarding the incentives, the transfer must comply with conditions stipulated by the Income Tax Act (ITA), the Canada Education Savings Regulations, provincial regulations, agreements with the Government of Alberta (with respect to Alberta Grants) and agreements with the Government of Saskatchewan (with respect to SAGES). Failure to comply with these conditions may require the repayment of incentives. For more information see **Chapter 3-1: RESP Transfers and the Education Savings Incentives**.*
- **Terminate the plan** and select the desired option for distributing RESP earnings.

2. Option: Distributing Earnings if Terminating the RESP

Once the decision is made to terminate an RESP (whether by choice or because the plan has reached the end of its term), the subscriber has the following options for distributing any earnings that may remain in the RESP:

- Request an Accumulated Income Payment (AIP).
- Request a rollover of RESP investment earnings to a Registered Disability Savings Plan (RDSP).
- Request a rollover of RESP investment earnings to a Registered Retirement Savings Plan (RRSP), if available.
- Make a payment to a designated educational institution in Canada.

Contributions paid into an RESP are made with post-tax dollars; therefore they can be returned to the subscriber at any time without tax consequences, according to the terms of the RESP contract.

Regardless of the option selected, any incentives remaining in the RESP must be repaid. For more information about repaying the CESG, CLB, Alberta Grants or SAGES, refer to the appropriate chapter in **Section 2: Education Savings Incentives**.

3. Accumulated Income Payments

An AIP is a distribution of earnings from the RESP made to the subscriber. The AIP may include earnings on contributions and incentives, but it does *not* include the actual contributions or incentives themselves.

An AIP must be made to or for a single subscriber at a time for income tax purposes. For example, an AIP could not be made to a husband and wife as a single payment. However, separate AIP payments could be made from the same RESP – to a subscriber and joint subscriber.

An AIP is **not**:

- a repayment of contributions to the subscriber
- an EAP made to the beneficiary
- a repayment of the CESG, CLB, Alberta Grants or SAGES
- a payment to a designated educational institution in Canada
- a transfer to another eligible RESP

AIPs are taxable. For more information about related tax implications:

- contact the Canada Revenue Agency (CRA) Registered Plans Directorate at 1-800-267-3100;
- visit the Business Window, CRA Taxation Services Office; or
- visit CRA's web site at www.cra-arc.gc.ca.

AIPs and Transfers

A transfer to another RESP is not permitted if an AIP has been made from the transferring RESP.

If a subscriber requests a transfer of funds to another RESP after an AIP has been made, the receiving RESP promoter cannot accept the transfer.

3.1. Conditions for an AIP

An RESP may allow for an AIP when *all* of the following conditions have been met:

- The subscriber is a resident of Canada.
AND
- The payment is made to one subscriber of the plan.
AND
- The plan has been open for ten (10) years and each individual who is or was a beneficiary is over 21 years of age and not eligible for an EAP.

OR

- The plan is being closed by the end of the 35th year (40th year in the case of a specified plan) after the year the plan was opened.

OR

- All beneficiaries have died.

Note: CRA may waive the conditions requiring that the plan exist for 10 years, and that each beneficiary be at least 21 years of age and ineligible to receive an EAP. For more information, contact the, Registered Plans Directorate, CRA at 1-800-267-3100.

3.2 When an AIP is Made from an RESP

When an AIP is made from the RESP, certain rules must be followed:

- Remaining CESG, CLB, Alberta Grants and SAGES must be repaid.
- The RESP must be terminated by the end of February of the year after the year in which the first AIP is paid.
- The subscriber must report the AIP as taxable income.

3.2.1 Remaining Incentives Must be Repaid

If an AIP is made from an RESP, the remaining CESG, CLB, Alberta Grants and SAGES must be repaid. The amount to be repaid is:

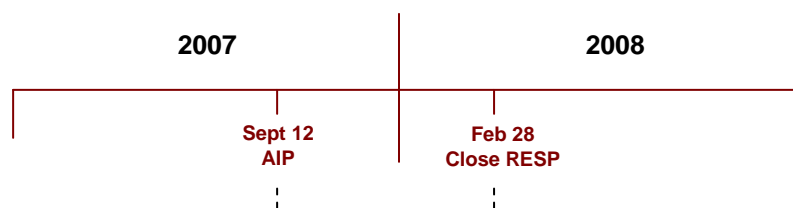
- The balance in the grant and/or bond account(s) at the time of the AIP.

OR

- The fair market value of the property at the time of the AIP, whichever is less.

3.2.2 The RESP Must be Terminated

When an AIP is made from an RESP, it must be closed by the last day of February in the year following the year in which the first AIP is made. (See the illustration below).



4. Rollover of RESP Investment Earnings to an RDSP

To provide greater flexibility to beneficiaries with disabilities, it may be possible to roll over the RESP investment income into an RDSP without incurring taxes, if certain conditions are met.

4.1. RESP – RDSP Rollover Conditions

The following conditions determine if a rollover of investment earnings from an RESP to an RDSP is permitted:

- Both RESP and RDSP are established for the same beneficiary.
- Both RESP and RDSP specimen plans must be approved by the Registered Plans Directorate, CRA:
 - The RDSP specimen plan must allow RESP rollovers;
 - The RESP specimen plan must allow AIPs and comply with the *Income Tax Act*, paragraph 146.1 (2) (i.1).

4.1.1. RDSP Rollover Conditions

The following conditions determine if a rollover of investment earnings from an RESP to an RDSP is permitted:

- The beneficiary is Disability Tax Credit (DTC) eligible at the time of the rollover.
- The beneficiary is less than 60 years of age in the year that the rollover is done .
- The beneficiary is a resident in Canada.
- The rollover amount cannot exceed the lifetime contribution limit.

4.1.2. RESP Rollover Conditions

One of the following three conditions determines if a rollover from an RESP to an RDSP is permitted:

- The beneficiary has a severe and prolonged mental impairment that can reasonably be expected to prevent him/her from pursuing post-secondary education.

OR

- The RESP has been in existence for at least 10 years and the beneficiary is at least 21 years of age and is not pursuing post-secondary education;

OR

- The RESP has been in existence for more than 35 years.

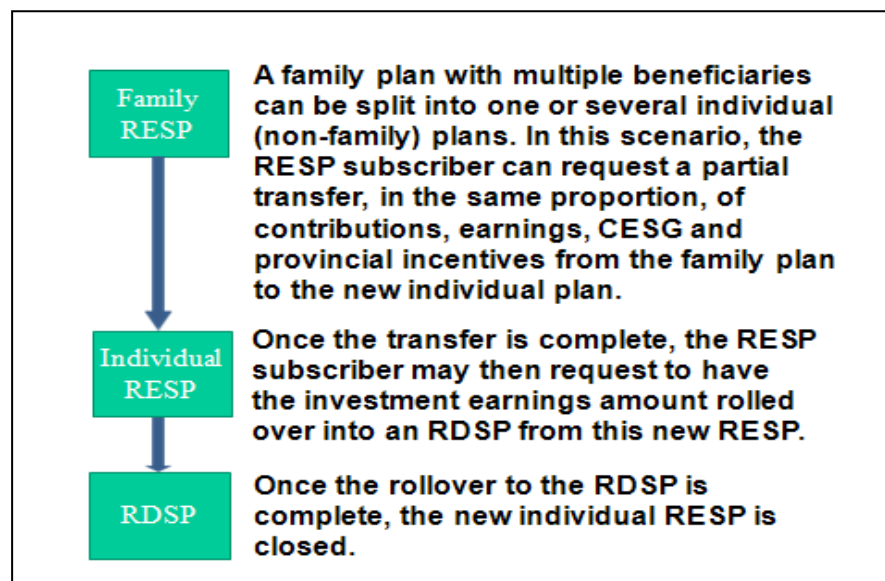
Note that the RESP must terminate by end of February of the year following the education savings rollover.

4.2. Rollovers From RESP Family Plans

When the rollover of RESP investment earnings is from a family plan, three options are available.

4.2.1. Option 1

For promoters who do not offer individual plans, a family plan with only one beneficiary may be opened.



Advantages – The family plan with the remaining beneficiaries could remain open.

Disadvantages – The subscriber would not be able to transfer only the earnings to the new RESP for the DTC-eligible beneficiary. Since only a portion of the property in the RESP is transferred, then the partial transfer rules outlined in subsection 16(2) of the *Canada Education Savings Regulations* would require the transferring RESP promoter to calculate and transfer the equal portion of the contributions, earnings, CESG and provincial incentives to the receiving plan.

4.2.2. Option 2

The subscriber can wait until the other beneficiaries of the family plan are eligible for post-secondary education (PSE) or will not be pursuing PSE before rolling over the investment income from the family RESP to the DTC-eligible beneficiary's RDSP.

Advantages – It would no longer matter that any grant and bond remaining in the family RESP (including amounts paid in other beneficiaries' names) would need to be repaid and that the plan would have to terminate by the end of February of the year after the education savings rollover occurred, because the other beneficiaries will have either used the funds necessary for their PSE or they will not be using the funds for PSE.

Disadvantages – This could take a long time depending on the age of the other beneficiaries.

4.2.3. Option 3

Close the family RESP and transfer the AIP to the beneficiary's RDSP.

Advantages – All the investment earnings in the RESP could be transferred to the DTC-eligible beneficiary's RDSP (including those accumulated for other beneficiaries).

Disadvantages – All grant and bond remaining in the family RESP (including amounts paid in other beneficiaries' names) would need to be repaid and the family RESP would need to be terminated by the end of February of the year after the rollover occurred.

4.3. Specimen Plan

The RDSP issuer must specify in their specimen plan if rollovers of education savings proceeds into an RDSP are permitted. The specimen plan must be approved by the Registered Plans Directorate in CRA.

The RESP must also allow AIPs in its specimen plan.

4.4. RESP Rollover Election – Prescribed Information

The following information must be included in the RESP rollover election document:

- rollover amount
- RESP promoter name, specimen plan name, specimen plan number and contract number
- RDSP issuer name, specimen plan name, specimen plan number, and contract number
- RESP/RDSP beneficiary name, SIN
- RESP subscriber name, SIN/BN
- RDSP holder name, SIN/BN
- RESP promoter's address
- space for the RESP subscriber's signature and date
- space for the RDSP holder's signature and date
- space for the RESP promoter's (authorized person) signature and date
- space for the RDSP issuer's (authorized person) signature and date

Note: There is no specific rollover form for education savings rollovers. A proforma education savings rollover form will be made available on the CRA's webpage shortly.

4.5. Roles and Responsibilities

RESP subscriber and RDSP holder	<ul style="list-style-type: none"> Jointly elect in the election document to have a rollover take place.
RESP promoter	<ul style="list-style-type: none"> Send the election document to the RDSP issuer. Keep a copy of the election document.
RDSP issuer	<ul style="list-style-type: none"> Keep a copy of the election document. Report the rollover transactions to ESDC.

Any incentives that remain in the RESP must be repaid to the Government of Canada.

5. Rollover of Investment Earnings to an RRSP

In certain circumstances, it may be possible to move the remaining RESP earnings to the subscriber's RRSP or to the subscriber's spousal RRSP. This can reduce the taxes payable by the subscriber.

Any incentives that remain in the RESP must be repaid to the Government of Canada.

6. Payments to a Designated Educational Institution

The terms of an RESP can stipulate that, under the following circumstances, the amount of earnings remaining in the RESP could be paid to a designated educational institution in Canada:

- The beneficiary is no longer eligible for an EAP.
- Incentive(s) have been repaid, as required.
- The subscriber does not qualify for an AIP See **3.1 Conditions for an AIP** earlier in this chapter.

A payment to a Canadian designated educational institution would be a *gift* and not a donation. Therefore, a tax receipt will not be issued to the subscriber or to the beneficiary.

Any incentives remaining in the RESP must be repaid to Government of Canada before making the payment to the educational institution.

7. Forfeited CESG and Earnings on the CESG in Group Plans

The *Canada Education Savings Act* and *Canada Education Savings Regulations* stipulate:

“CESG amounts and the earnings generated on them may only be shared among the beneficiaries of the RESP.”

The term “RESP” used in Section 18(1) of the Regulations refers only to the individual contract itself and not the group RESPs under the same specimen plan.

As a result, forfeited CESG and forfeited earnings on the CESG can no longer be redistributed amongst group RESP cohorts after July 1, 2005.

While any forfeited CESG amounts must be repaid to Government of Canada, forfeited earnings can be managed in one of these ways:

- an AIP
- a payment to a designated educational institution

These options are outlined in more detail within this chapter.

Forfeited CESG and Earnings – Prior to July 1, 2005

For those contracts that reached maturity in 2002, 2003, and 2004, and contained forfeited CESG and earnings under the prior CESG regulations, RESP promoters were holding these monies in lieu of requests for EAPs as per the terms of contracts with subscribers.

Any CESG and any earnings on the CESG that were forfeited by a beneficiary before July 1, 2005, and were awaiting disbursement amongst the remaining beneficiaries of that cohort, will be deemed to have been paid into a receiving beneficiary’s plan at the time of the initial allocation.

This means that only amounts forfeited prior to July 1, 2005, may be distributed to the remaining age cohort.



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http://www.esdc.gc.ca/eng/jobs/student/promoters/user_guide/index.shtml

CESP – RESP Provider User Guide

A P P E N D I X

A

Application Forms – Education Savings Incentives

This appendix assists Registered Education Savings Plan (RESP) providers in completing the required application form(s) when applying for the following incentives administered by the Canada Education Savings Program (CESP) at Employment and Social Development Canada (ESDC):

- Canada Education Savings Grant (CESG)
 - Basic CESG
 - Additional CESG
- Canada Learning Bond (CLB)
- Saskatchewan Advantage Grant for Education Savings (SAGES)
- Alberta Centennial Education Savings Plan Grants (Alberta Grants)

RESP providers should review eligibility requirements with the subscriber for each incentive before completing these forms. **Appendix B: A Quick Reference – Eligibility Criteria for Education Savings Incentives** summarizes eligibility criteria for the incentives administered by ESDC.

See **Appendix C** for a list of acronyms and terms used in this guide.

In this appendix

1. Application Form HRSDC SDE 0093.....	A – 2
2. Application for Alberta Grants	A – 16

1. Application Form HRSDC SDE 0093

1.1. Overview

As of December 1, 2013, RESP providers must use application form HRSDC SDE 0093 to apply for all federal education savings incentives. This form replaces the following three forms:

- HRSDC SDE 0069
- HRSDC SDE 0071
- HRSDC SDE 0073

Application form HRSDC SDE 0093 includes several components that are described in the table below. Each form component can be downloaded and completed as required from the following web page:
<http://www.esdc.gc.ca/eng/jobs/student/promoters/index.shtml#tab4>

Component	Signatures Required	Purpose	When to Use
Main Form	<ul style="list-style-type: none"> subscriber(s) 	<ul style="list-style-type: none"> To collect information to apply for: <ul style="list-style-type: none"> Basic CESG; Additional CESG; and/or CLB. 	<ul style="list-style-type: none"> This is mandatory for federal incentives. It is the only component required when: <ul style="list-style-type: none"> a subscriber is also the primary caregiver (PCG) and a custodial parent/legal guardian; there is only one beneficiary; and there is no application for SAGES.
Annex A (Note 1)	<ul style="list-style-type: none"> This annex must be completed by a custodial parent/legal guardian. No signature is required. 	<ul style="list-style-type: none"> To collect information for additional beneficiaries. 	<ul style="list-style-type: none"> This can be used to add beneficiaries to the application form.
Annex B (Note 2)	<ul style="list-style-type: none"> PCG, or custodial parent/legal guardian 	<ul style="list-style-type: none"> To collect information for: <ul style="list-style-type: none"> the PCG; or a custodial parent/legal guardian. 	<ul style="list-style-type: none"> If the PCG is not a subscriber, the PCG must complete Annex B to request Additional CESG or CLB. A custodial parent/legal guardian must complete a separate Annex B if a subscriber is neither a custodial parent/legal guardian nor the PCG.
Annex C	<ul style="list-style-type: none"> subscriber(s) custodial parent/legal guardian 	<ul style="list-style-type: none"> To collect information to apply for SAGES. 	<ul style="list-style-type: none"> All beneficiaries in the RESP must be siblings. All beneficiaries listed on Annex C must be a resident of Saskatchewan.

Note 1: If beneficiaries in the RESP have different custodial parents/legal guardians, a separate Annex A must be used for each group of beneficiaries having the same custodial parent/legal guardian.

Note 2: If beneficiaries in the RESP have a different PCG and/or custodial parent/legal guardian, a separate Annex B must be used for each group of beneficiaries having the same PCG and/or custodial parent/legal guardian. However, all RESP beneficiaries must be siblings for CLB, Additional CESG and SAGES payments to be made to a family RESP.

Note 3: See 2. **Application for Alberta Grants** in this appendix for Alberta Grants.

1.2. Inaccurate Information Delays Incentive Payments

Incentive payments will be delayed if inaccurate information is collected, for the beneficiary and/or the PCG, on the CESP application form. The CESP system sends monthly reports to RESP providers with either **error codes** or **refusal reasons** to identify incentive requests that cannot be paid:

- **Error Codes** - When the CESP system rejects incentive requests because they contain errors, RESP providers must resubmit these transactions with the correct information. (See **Appendix E, Understanding Error Codes.**)
- **Refusal Reasons** - Incentive payments may be refused for a number of reasons, even when the incentive requests are successfully processed by the CESP system. (See **Appendix F, Understanding Refusal Reasons.**)

1.2.1. Beneficiary Information

Before paying an incentive into an RESP for a beneficiary, the CESP system validates the following beneficiary information submitted by RESP providers, with the Social Insurance Registry (SIR):

- social insurance number (SIN)
- given name (first name)
- family name (last or surname)
- date of birth
- sex

All RESP provider requests for incentive payments must include a beneficiary SIN that has been successfully validated by the CESP system at SIR. RESP providers will have fewer rejected transactions and avoid incentive payment delays if they ensure that information collected on application forms matches beneficiary SIN documentation at SIR.

While any subscriber can provide some information for one beneficiary on the main form, only the custodial parent/legal guardian of a beneficiary can provide the beneficiary's SIN. Consequently, RESP providers must collect beneficiary SINs on the application form using one of the following methods:

- **Main form** - If a subscriber is also a custodial parent/legal guardian, this person can provide all required information for one beneficiary in the main form. If there are multiple beneficiaries, this person can provide information for the additional beneficiaries using Annex A.
- **Annex A** - If there are multiple beneficiaries then a custodial parent/legal guardian can complete Annex A to provide information about the additional beneficiaries.
- **Annex B** - Custodial parents/legal guardians can provide their information and information for one beneficiary using Annex B. If there are multiple beneficiaries, they can provide information for the other beneficiaries using Annex A.

If the beneficiaries named in a family RESP are cousins, each group of siblings requires completion of Annex A. It should be noted that CLB, Additional CESG and SAGES can only be paid into a family RESP if all beneficiaries in the RESP are siblings.

1.2.2. Primary Caregiver (PCG) Information

The ESDC uses information held at the Canada Revenue Agency (CRA) to validate the PCG information that RESP providers submit with their requests for the following incentives:

- Additional CESG
- CLB

The ESDC pays these incentives only if the following PCG information matches the corresponding beneficiary information at CRA:

PCG Type	PCG information validated at CRA for each beneficiary	Additional Notes
Individual PCG	<ul style="list-style-type: none"> • PCG SIN • PCG given name • PCG family name 	<ul style="list-style-type: none"> • An individual PCG is the person who receives Canada Child Tax Benefit (CCTB) payments for the beneficiary. • CRA sends a CCTB notice to the PCG every year. • CRA collects PCG information on tax returns and/or form RC66.
Public PCG (Agency)	<ul style="list-style-type: none"> • PCG business number (BN) 	<ul style="list-style-type: none"> • A public PCG is an organization that receives the Children's Special Allowance for the beneficiary.

ESDC considers a person to be an individual PCG of a child if this person receives CCTB payments for the child. CRA pays CCTB to individuals who are primarily responsible for the care of a child and have applied for the CCTB.

An individual PCG is normally also a custodial parent/legal guardian of the child. However, not all custodial parents/legal guardians would be successfully validated as a PCG at CRA. For example, when a child has two custodial parents living together, only one parent would receive the CCTB payments and be considered the child's PCG.

A beneficiary could have more than one PCG. For more information, see the shared custody question under heading **1.4.8 Custodial Parent/Legal Guardian and Primary Caregiver** in this appendix.

While individual PCGs provide their name and their SIN on the application form, public PCGs provide the name of agency and BN. In either case, if applying for Additional CESG or CLB, RESP providers must collect this PCG information using one of the following components of the application form:

- **Main form:** If a subscriber is also the PCG, this person must provide PCG information on the main form and check "YES" for the "Primary Caregiver" question.
- **Annex B:** In all other cases, PCGs must provide their information using Annex B.

Note that Additional CESG and CLB can only be paid into individual RESPs or family RESPs in which all beneficiaries are siblings.

1.3. Checklists for HRSDC SDE 0093

The application form includes detailed instructions that explain how to complete the form.

Checklists in this appendix will also help RESP providers ensure that application forms are completed properly. See the following sections in this appendix for common scenarios:

- **1.3.1. When Parents Open an RESP**
 - **If a subscriber is the PCG**
 - **If a subscriber is not the PCG**
- **1.3.2. When an RESP is Not Opened by Parents**
- **1.3.3. When Agencies Open an RESP**
- **1.3.4. Using Annex A to Apply for Multiple Beneficiaries**
- **1.3.5. When Applying for SAGES**

1.3.1. When Parents Open an RESP

If a subscriber is the PCG

Use the following checklist when a subscriber is a custodial parent/legal guardian and the PCG:

Main Form – Application for the CESG and CLB	
Top of the Form	
<input type="checkbox"/>	Enter RESP provider company name and RESP contract number.
Section 1: Information About the Subscriber(s)	
<input type="checkbox"/>	Explain that the PCG is the person who receives the CCTB.
<input type="checkbox"/>	Enter the family name and given name of the subscriber (and joint subscriber if applicable). <ul style="list-style-type: none"> • Check 'YES' for the custodial parent/legal guardian question. • Check 'YES' for the PCG question of the subscriber (or joint subscriber) who receives the CCTB. <i>A joint subscriber, if applicable, must be a spouse or common-law partner of the subscriber.</i>
<input type="checkbox"/>	Leave all agency areas blank.
<input type="checkbox"/>	Enter the PCG SIN of the subscriber who checked 'YES' for the PCG question. <i>Ensure that only one subscriber checked 'YES' for the PCG question above.</i>
Section 2: Information About the Beneficiary	
<input type="checkbox"/>	Enter information about the beneficiary (family name, given name, date of birth, sex, and SIN). <i>This should be entered exactly as it appears on the beneficiary SIN documentation.</i>
<input type="checkbox"/>	Enter the total number of beneficiaries for the current application.
<input type="checkbox"/>	If applying for more than 1 beneficiary: <ul style="list-style-type: none"> • check 'Additional Beneficiaries indicated in Annex A'; and • complete Annex A to provide information about the additional beneficiaries (see checklist in 1.3.4.).
Sections 3-8	
<input type="checkbox"/>	Subscribers read Sections 3 through 8.
<input type="checkbox"/>	Section 4: Subscribers may choose to not apply for CLB and/or Additional CESG in this RESP. <i>This section explains possible reasons not to apply for these incentives.</i>
<input type="checkbox"/>	Section 5: Subscribers sign and date the form.
<input type="checkbox"/>	Section 7: Inform subscribers about any applicable provincial incentives.

If a subscriber is NOT the PCG (when parents open an RESP)

Use the following checklist when a subscriber is a custodial parent or legal guardian but **NOT** the PCG:

Main Form – Application for the CESG and CLB	
Top of the Form	
<input type="checkbox"/>	Enter the RESP provider company name and RESP contract number.
Section 1: Information About the Subscriber(s)	
<input type="checkbox"/>	Enter the family name and given name of the subscriber (and the joint subscriber if applicable). <ul style="list-style-type: none"> Check 'YES' for the custodial parent/legal guardian question. Check 'NO' for the PCG question. <i>A joint subscriber, if applicable, must be a spouse or common-law partner of the subscriber.</i>
<input type="checkbox"/>	Leave the following areas blank: <ul style="list-style-type: none"> agency information PCG SIN and BN
Section 2: Information About the Beneficiary	
<input type="checkbox"/>	Enter information about the beneficiary (family name, given name, date of birth, sex, and SIN). <i>This should be entered exactly as it appears on the beneficiary SIN documentation.</i>
<input type="checkbox"/>	Enter the total number of beneficiaries for the current application.
<input type="checkbox"/>	If applying for more than 1 beneficiary: <ul style="list-style-type: none"> check 'Additional Beneficiaries indicated in Annex A'; and complete Annex A to provide information about the additional beneficiaries (see checklist in 1.3.4.).
Sections 3-8	
<input type="checkbox"/>	Subscribers read Sections 3 through 8.
<input type="checkbox"/>	Section 4: Subscribers may choose to not apply for CLB and/or Additional CESG in this RESP. <i>This section explains possible reasons not to apply for these incentives.</i>
<input type="checkbox"/>	Section 5: Subscribers sign and date the form.
<input type="checkbox"/>	Section 7: Inform subscribers about any applicable provincial incentives.
Annex B – Primary Caregiver and/or Custodial Parent/Legal Guardian (must be completed by the PCG)	
Top of the Form	
<input type="checkbox"/>	Explain that the PCG is the person who receives the CCTB. <i>The PCG must complete Annex B to apply for Additional CESG and/or CLB.</i>
<input type="checkbox"/>	Enter the RESP provider company name, RESP contract number, and a subscriber name. <i>This should match the information provided on the main form.</i>
Section B-1: Information About the Primary Caregiver (PCG)	
<input type="checkbox"/>	Enter the PCG name and SIN.
<input type="checkbox"/>	Leave the agency information areas blank.
Section B-2: Information About the Custodial Parent/Legal Guardian	
<input type="checkbox"/>	Leave the custodial parent/legal guardian information areas blank (already provided on the main form).
Section B-3: Information About the Beneficiary	
<input type="checkbox"/>	Enter the same information about the beneficiary as on the main form. <i>It is not necessary to provide the SIN.</i>
<input type="checkbox"/>	Enter the total number of beneficiaries for the current application.
Sections B-4 to B-7	
<input type="checkbox"/>	The PCG reads Sections B-4 through B-7.
<input type="checkbox"/>	Section B-4: The PCG may choose to not apply for CLB and/or Additional CESG in this RESP. <i>This section explains possible reasons not to apply for these incentives.</i>
<input type="checkbox"/>	Section B-5: The PCG signs and dates the annex.

1.3.2. When an RESP is Not Opened by Parents

Use the following checklist when a custodial parent or legal guardian is **NOT** a subscriber:

Main Form – Application for the CESG and CLB	
Top of the Form	
<input type="checkbox"/>	Enter the RESP provider company name and RESP contract number.
Section 1: Information About the Subscriber(s)	
<input type="checkbox"/>	Enter the family name and given name of the subscriber (and the joint subscriber if applicable). <ul style="list-style-type: none"> • Check 'NO' for the custodial parent/legal guardian question. • Check 'NO' for the PCG question. <i>A joint subscriber, if applicable, must be a spouse or common-law partner of the subscriber.</i>
<input type="checkbox"/>	Leave the following areas blank: <ul style="list-style-type: none"> • agency information • PCG SIN • PCG BN
Section 2: Information About the Beneficiary	
<input type="checkbox"/>	Enter information about the beneficiary but leave the SIN blank. <i>A custodial parent/legal guardian must complete Annex B for this beneficiary.</i>
<input type="checkbox"/>	Enter the total number of beneficiaries for the current application.
<input type="checkbox"/>	If applying for more than 1 beneficiary: <ul style="list-style-type: none"> • check 'Additional Beneficiaries indicated in Annex A'; and • complete Annex A to provide information about the additional beneficiaries (see checklist in 1.3.4.).
Sections 3-8	
<input type="checkbox"/>	Subscribers read Sections 3 through 8.
<input type="checkbox"/>	Section 4: Subscribers may choose to not apply for CLB and/or Additional CESG in this RESP. <i>This section explains possible reasons not to apply for these incentives.</i>
<input type="checkbox"/>	Section 5: Subscribers sign and date the form.
<input type="checkbox"/>	Section 7: Inform subscribers about any applicable provincial incentives.
Annex B – Primary Caregiver and/or Custodial Parent/Legal Guardian	
Top of the Form	
<input type="checkbox"/>	Explain that the PCG must complete Annex B to apply for Additional CESG and/or CLB.
<input type="checkbox"/>	Enter the RESP provider company name, RESP contract number, and a subscriber name. <i>This should match the information provided on the main form.</i>
Section B-1 : Information About the Primary Caregiver (PCG)	
<input type="checkbox"/>	If the person completing this annex is the PCG, enter the PCG name and SIN in Section B-1. A PCG normally has custody and should check "I am also the Custodial Parent/Legal Guardian of the Beneficiary".
<input type="checkbox"/>	If Annex B is not completed by the PCG, Section B-1 should be left blank.
Section B-2 : Information About the Custodial Parent/Legal Guardian	
<input type="checkbox"/>	Enter the custodial parent/legal guardian name in Section B- 2 only if there is no PCG or the PCG is not the custodial parent/legal guardian. If a PCG has completed Annex B, use a separate copy of Annex B.
Section B-3 : Information About the Beneficiary	
<input type="checkbox"/>	Enter information about the beneficiary (family name, given name, date of birth, sex, and SIN). <i>This should be entered exactly as it appears on the beneficiary SIN documentation.</i>
<input type="checkbox"/>	Enter the total number of beneficiaries for the current application.
<input type="checkbox"/>	If applying for more than 1 beneficiary: <ul style="list-style-type: none"> • check 'Additional Beneficiaries indicated in Annex A'; and • complete Annex A to provide information about the additional beneficiaries (see checklist in 1.3.4.).

The checklist for this scenario continues on the next page.

This is a continuation of the checklist on the previous page.

Sections B-4 to B-7	
<input type="checkbox"/>	The person completing this annex reads Sections B-4 through B-7.
<input type="checkbox"/>	Section B-4: The person completing this annex may choose to not apply for CLB and/or Additional CESG in this RESP. <i>This section explains possible reasons not to apply for these incentives.</i>
<input type="checkbox"/>	Section B-5: The person completing this annex signs and dates the annex.

1.3.3. When Agencies Open an RESP

Use the following checklist when a child care agency is the subscriber:

Main Form – Application for the CESG and CLB	
Top of the Form	
<input type="checkbox"/>	Enter the RESP provider company name and RESP contract number.
Section 1: Information About the Subscriber(s)	
<input type="checkbox"/>	Leave the subscriber and joint subscriber information areas blank.
<input type="checkbox"/>	Enter the agency name and the agency representative's name.
<input type="checkbox"/>	Check 'YES' for the agency PCG question.
<input type="checkbox"/>	Leave the SIN area blank. Enter the 15 character agency BN.
Section 2: Information About the Beneficiary	
<input type="checkbox"/>	Enter information about the beneficiary (family name, given name, date of birth, sex, and SIN). <i>This should be entered exactly as it appears on the beneficiary SIN documentation.</i>
<input type="checkbox"/>	Enter the total number of beneficiaries for the current application.
<input type="checkbox"/>	If applying for more than 1 beneficiary: <ul style="list-style-type: none"> • check 'Additional Beneficiaries indicated in Annex A'; and • complete Annex A to provide information about the additional beneficiaries (see checklist in 1.3.4.).
Sections 3-8	
<input type="checkbox"/>	The agency representative reads Sections 3 through 8.
<input type="checkbox"/>	Section 4: The agency representative may choose to not apply for CLB and/or Additional CESG in this RESP. <i>This section of the form explains possible reasons not to apply for these incentives.</i>
<input type="checkbox"/>	Section 5: The agency representative signs and dates the form as the subscriber.
<input type="checkbox"/>	Section 7: Inform the agency representative about any applicable provincial incentives.

1.3.4. Using Annex A to Apply for Multiple Beneficiaries

Use the following checklist when providing information about **additional** beneficiaries on Annex A:

Annex A – Information about the ADDITIONAL Beneficiaries	
Top of the Form	
<input type="checkbox"/>	Explain that all beneficiaries listed on Annex A must have a common custodial parent/legal guardian. <i>Use a separate Annex A for each group of beneficiaries having a common custodial parent/legal guardian.</i>
<input type="checkbox"/>	Enter the RESP provider company name, RESP contract number and a subscriber's name. <i>This should match the information provided on the main form.</i>
<input type="checkbox"/>	Enter the custodial parent/legal guardian name. <i>The custodial parent/legal guardian must have signed either the main form or Annex B.</i>
Section A-1: Information About the Beneficiaries	
<input type="checkbox"/>	Enter information about the beneficiary (family name, given name, date of birth, sex, and SIN). <i>This should be entered exactly as it appears on the beneficiary SIN documentation.</i>

1.3.5. When Applying for SAGES

Use the following checklist when the subscriber is applying for SAGES:

Annex C – Application for SAGES	
Top of the Form	
<input type="checkbox"/>	Enter the RESP provider company name and RESP contract number.
Section C-1: Information About the Subscriber(s)	
<input type="checkbox"/>	Enter the family name and given name of the subscriber (and the joint subscriber if applicable). Leave the subscriber and joint subscriber information blank if the subscriber is an agency. <i>A joint subscriber, if applicable, must be a spouse or common-law partner of the subscriber.</i>
<input type="checkbox"/>	If the subscriber is an agency, enter the agency name and the name of the agency representative. Otherwise, leave the agency areas blank.
Section C-2: Information About the Beneficiaries	
<input type="checkbox"/>	Check 'YES' only if: <ul style="list-style-type: none"> all beneficiaries in the RESP are siblings; and all beneficiaries listed on Annex C are residents of Saskatchewan. <i>If 'NO' is selected, SAGES will not be paid into the RESP.</i>
<input type="checkbox"/>	Enter information about all beneficiaries applying for SAGES (family name, given name, date of birth and sex). <i>This information should be entered exactly as it was entered in the application form for federal incentives.</i>
<input type="checkbox"/>	Enter the date on which each beneficiary became a resident of Saskatchewan. <i>Use the date of birth if a beneficiary was a Saskatchewan resident since birth.</i>
<input type="checkbox"/>	Enter the total number of beneficiaries for the current SAGES application.
<input type="checkbox"/>	If requesting SAGES for more than 3 beneficiaries: <ul style="list-style-type: none"> check the box for 'Additional Beneficiaries'; and use additional copies of Annex C to provide all additional beneficiary information.
Sections C-3 to C-6	
<input type="checkbox"/>	All individuals signing the annex read Sections C-3 through C-6.
<input type="checkbox"/>	Section C-4: The following individuals sign and date the annex: <ul style="list-style-type: none"> subscriber joint subscriber (if applicable) a custodial parent/legal guardian (if this person is not a subscriber) <i>If the subscriber is an agency, the agency representative must sign as the subscriber.</i>
<input type="checkbox"/>	A custodial parent/legal guardian must enter his or her name if this person is not a subscriber.

1.4. Answers to Additional Questions

The following provides additional guidance for completing application form HRSDC SDE 0093 and the associated annexes.

1.4.1. Individual RESPs

Can siblings who are named to separate individual RESPs be included on the same HRSDC SDE 0093 application form?

No. One application form cannot be used for siblings who are beneficiaries of different individual RESPs. Given that each RESP is a separate contract, a separate form must be used for each contract number.

1.4.2. Family RESPs with Cousins

If there are cousins in a family RESP, can all beneficiaries be included on one form?

Yes. When there are multiple beneficiaries named to a family RESP, one form can be used for all beneficiaries, regardless of whether they are all siblings.

However, the additional beneficiary annex (Annex A) and a custodial parent/legal guardian annex (Annex B) need to be completed by a beneficiary's custodial parent/legal guardian. As a result, if there are cousins in the plan, more than one Annex A and Annex B is required.

Note that to receive Additional CESG, CLB or SAGES, all beneficiaries named to the RESP must be siblings.

Example

The subscriber, Jane Smith, opens an RESP for her 4 grandchildren:

- John Smith (PCG & custodial parent = mother, Mary Smith)
- Joseph Smith (PCG & custodial parent = mother, Mary Smith)
- Ann Smith (PCG & custodial parent = mother, Jill Smith)
- Brian Smith (PCG & custodial parent = mother, Jill Smith)

The following parts of the form must be completed:

- The subscriber, Jane Smith, must complete and sign the main form.
- The custodial parent, Mary Smith, must complete and sign:
 - Annex B for one of her children; and
 - Annex A to add her other child.
- The custodial parent, Jill Smith, must complete and sign:
 - Annex B for one of her children; and
 - Annex A to add her other child.

The subscriber must choose not to apply for Additional CESG and CLB for these beneficiaries because not all beneficiaries in the RESP are siblings.

1.4.3. Information about the RESP

Who should complete the fields that appear at the top of the main form and each annex, above the numbered sections (such as RESP provider, RESP contract no., etc.)?

Given that procedures for dealing with this section differ depending on the type of organization, the descriptors from this section have been removed.

It is up to individual RESP providers to determine how best to complete this section and communicate the information to their staff. However, this area must be completed and may be verified during a compliance review.

Note that RESP providers are permitted to pre-populate the “RESP Provider” field with their legal name.

1.4.4. Pages Following the Consent and Signatures Sections

Do the pages that follow the consent and signature (containing the privacy statement and definitions) need to be kept in the client file (whether in hard copy or imaged)?

No. RESP providers are not required to retain pages that follow the consent and signatures sections of the main form or annexes.

1.4.5. Choosing Not to Apply for Additional CESG and/or CLB

What should be done if there is a discrepancy between information provided in Section 4 of the main form and Section B-4 of Annex B (where the subscriber is not also the PCG and custodial parent/legal guardian of the beneficiary)?

Since it is the PCG who designates which RESP receives Additional CESG and CLB payments, RESP providers should follow the PCG’s instructions if there is a discrepancy between the information provided in Section 4 of the main form and Section B-4 of Annex B. RESP providers may also choose to consult with the subscriber in completing this section.

If an RESP provider offers only Basic CESG, must Section 4 of the main form still be completed?

Yes. This section must be completed even if the RESP provider offers only Basic CESG. In this case, the subscriber must choose not to apply for Additional CESG and CLB in Section 4 of the main form.

1.4.6. When Subscribers Add Beneficiaries to an Existing Family RESP

If a subscriber has already completed an application form for the beneficiaries in a family RESP, what parts of the form must be completed if additional beneficiaries are named to the same RESP?

If new beneficiaries are added to an existing family RESP, a new application form must be completed for the new beneficiaries. The original CESP application form that was previously completed and signed cannot be amended to add the new beneficiaries.

1.4.7. Total Number of Beneficiaries

What should be entered as the total number of beneficiaries on the main form, Annex B and Annex C? Is it the total number of beneficiaries in the RESP, or is it the number of beneficiaries for whom the subscriber is currently submitting an application?

The total number of beneficiaries entered in Section 2 of the main form (and Section B-3 of Annex B and Section C-2 of Annex C if applicable), should be the number of beneficiaries for whom the subscriber is currently submitting an application. This number does not necessarily have to match the number of beneficiaries named in the RESP (for example, in cases where beneficiaries are added to a family RESP after the plan was originally opened).

1.4.8. Custodial Parent/Legal Guardian and Primary Caregiver

Can the form be completed ONLY by the custodial parent/legal guardian if the primary caregiver is not available or willing to complete the form?

Yes. If the PCG is not available or willing to complete the form, it can be completed only by a custodial parent/legal guardian.

In such cases, a custodial parent/legal guardian should complete the form, omitting areas dealing with the PCG (i.e.; the SIN in Section 1 of the main form and Section B-1 on Annex B).

However, beneficiaries cannot receive Additional CESG or CLB if PCGs do not complete the form and provide their SIN (or BN for child care agencies). In this situation, the custodial parent/legal guardian must either choose not to apply for both Additional CESG and CLB in Section B-4 of Annex B, or in Section 4 of the main form.

Who is the PCG when parents share the custody of a beneficiary?

CRA may distribute CCTB payments to more than one parent for the same beneficiary if they share custody of the child. For example, a child could alternate every 2 weeks between living with the father and the mother. In this situation, both the mother and the father could be considered as the PCG. When PCGs complete the application form, they are giving their consent to use their information for CRA to validate eligibility for Additional CESG or CLB. RESP providers can ask multiple PCGs having shared custody of the same beneficiary to complete the application form as the PCG. However, they can include the information of only one PCG in each electronic request for Additional CESG or CLB that they submit to the CESP system.

1.4.9. Pre-filling Fields on Forms

Can RESP providers pre-fill some of the application form fields before asking their clients to sign a form?

To facilitate completion of the form, RESP providers could choose to pre-fill fields that are collected through the Education Savings Plan (ESP) application process. This includes, for example, the RESP Provider, RESP Contract No., subscriber names and beneficiary information.

However, client options must not be pre-selected by RESP providers on application forms. Client options include checkboxes and/or fields that require a client decision or attestation, signatures, and signature dates. In particular, the following fields must be completed by the client:

- Choosing not to apply for Additional CESG or CLB (Section 4 of the main form and Section B-4 of Annex B)
- “YES/NO” questions (Section C-2 of Annex C)
- “SK Resident Since” date (Section C-2 of Annex C)

1.4.10. Incomplete Application Forms

What must RESP providers do if they determine that an application form is incomplete and missing information after it was originally completed and signed?

Once the subscriber (and custodial parent/legal guardian if applicable) has signed the application form, the form should not be altered by RESP providers. RESP providers should ask the person or people who originally signed the form to add the required information and initial any additions or changes made since the form was originally signed. RESP providers must retain these amended forms in their client files.

1.4.11. SAGES Request Dates

Which date should RESP providers use for a SAGES request - the date the SAGES application form (Annex C) was signed or the contribution date?

RESP providers must use the **most recent** of the following dates to determine which transaction date to use when submitting a SAGES request to the CESP system:

- the date that the subscriber completes a SAGES application form
- the date that the subscriber makes the corresponding contribution

Subscribers have three years after making an RESP contribution to apply for SAGES by completing and signing the SAGES application form (Annex C). The CESP system sends RESP providers a refusal reason “O” (Late SAGES Request) if a SAGES request transaction date is more than three years after the transaction date of the contribution.

As RESP providers have three years to successfully process a SAGES Request transaction, they must send a file to the CESP system (for processing) no more than three years after the transaction date of the SAGES Request in the file. The CESP system sends RESP providers a refusal reason “D” (Late Transaction) for SAGES Requests processed after this 3 year limit.

Example

On October 14, 2013, a subscriber made an RESP contribution for a beneficiary who is eligible for SAGES. The RESP provider was in the process of updating their system to offer SAGES at that time and was not in a position to accept a SAGES application from the subscriber.

To receive SAGES for this contribution, the subscriber must complete the SAGES application form by October 14, 2016.

If the subscriber completed a SAGES application form for this beneficiary on February 11, 2014, the RESP provider must send a file to the CESP system before February 11, 2017, with a SAGES request that can be successfully processed by the CESP system for the contribution made on October 14, 2013.

1.4.12. SAGES Requests for Existing Beneficiaries

How do you apply for SAGES for existing beneficiaries?

For existing beneficiaries who already have an RESP, there is no need to complete the main part of the application form.

To apply for SAGES, the subscriber is required to complete only Annex C, which can be treated as a stand-alone SAGES application form.

1.4.13. SAGES Applications and the Custodial Parent/Legal Guardian

Does the beneficiary's custodial parent or legal guardian need to sign the SAGES Annex (Annex C)?

Yes. A custodial parent/legal guardian must sign and print their name in Section C-4 of the SAGES application form (Annex C) if they have not already signed this annex as a subscriber or joint subscriber of the RESP.

2. Application for Alberta Grants

2.1. Overview

Description: 1-page form and 1-page of definitions

Purpose: Request the Alberta Centennial Education Savings Plan Grants

Eligibility: **Appendix B: A Quick Reference – Eligibility Criteria for Education Savings Incentives**

Signature(s) Required By:	Page 1
Parent or Legal Guardian to certify proof of Alberta residency.	✓
Custodial Parent or Legal Guardian (<i>if different from above</i>) to certify proof of Alberta residency.	✓
Subscriber (<i>if different from above</i>) to identify the person who will contribute to the RESP, in respect of the beneficiary.	✓

Note: Individuals with the above responsibilities must sign the form, where indicated.

Reminders:

- The parent or legal guardian must be a resident of Alberta:
 - at the time of the application; or
 - at the time of the child's eligible birthday (birth, 8, 11 or 14 years).
- Residency is defined as being ordinarily present in Alberta. This includes a person whose home ordinarily is in Alberta but who leaves Alberta for a period of up to 12 months, or a longer period and intends to return to Alberta at the end of that period (one example: military deployment).
- Proof of residency includes a valid driver's license, a valid health insurance card, bank statements, mortgage statements, rental agreements or utility bills that state the individual's name and Alberta address at the time of the child's eligible grant age.
- Documentation providing proof of residency should be validated for each application.
- For applications requesting the Alberta \$100 Grants, the subscriber must supply the name and location of the education institution in which the beneficiary is attending school.

For more information about the Alberta Grants, refer to **Section 2: Education Savings Incentives**.

2.2. Completing the Application for Alberta Grants

Separate application form(s) must be completed for each beneficiary to ensure the protection of personal information collected.

The Application for Alberta Centennial Education Savings Plan Grant Form is completed, as follows:

RESP Provider:

1. Check the applicable **Type of Grant** box at the top of the form. Subscribers must submit separate application forms for each grant.

☐ \$500 Grant
 ☐ \$100 Grant (8yrs)
 ☐ \$100 Grant (11 yrs)
 ☐ \$100 Grant (14 yrs)

2. Complete **Section A – Beneficiary Information**.
3. Complete **Section B – Proof of Alberta Residency**. Enter the address for the parent or legal guardian who is a resident of Alberta. Use the table below to determine which **check box** to select and **print the name of this parent or legal guardian** in the appropriate space.

If the Subscriber...	
... is the parent or legal guardian and a resident of Alberta, check the first box and enter his or her name in the space provided for this option.	... is not the parent or legal guardian who is a resident of Alberta, check the second box and enter the name of the parent or legal guardian, who is a resident of Alberta, in the space provided for this option.

4. Indicate the **type of identification** used as proof of Alberta residency in the section.

Note 1: Type of identification as acceptable proof of residency includes a valid Alberta Driver's License, a valid Alberta Health Insurance Card, bank statements, rental agreements, mortgage statements, or utility bills that state the individual's name and Alberta address for the time period of the relevant grant age(s). **Note 2:** Promoters only need to indicate the type of identification used to verify residency; not the details from the identification.

5. Complete **Section C – Additional Criteria for the Alberta \$100 Grants** only if the application is for one of the \$100 Grants.

**Subscriber and
Co-Subscriber:**

6. The Subscriber and Co-Subscriber (if applicable) enter their names, date and sign **Section D** to apply for the Grant in respect of the Beneficiary.
7. If the Subscriber is not the parent or legal guardian, the Subscriber dates and signs the **Signature of Subscriber** section for the **Notification of the Collection, Use and Disclosure of Personal Information**.

**Parent or Legal
Guardian:**

8. The Parent or Legal Guardian dates and signs the appropriate box for the **Notification of the Collection, Use and Disclosure of Personal Information**.

**Custodial Parent or
Legal Guardian:**

9. The Custodial Parent or Legal Guardian dates and signs the appropriate box for the **Notification of the Collection, Use and Disclosure of Personal Information** (if different from the above).



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Canada Education Savings Program – RESP Provider User Guide

A P P E N D I X

B

A Quick Reference – Eligibility Criteria for Education Savings Incentives

This appendix provides an ‘at-a-glance’ summary of the eligibility criteria for each of the education savings incentives administered by Employment and Social Development Canada (ESDC).

Refer to the related chapter in **Section 2: Education Savings Incentives** for more detailed information about the following incentives:

- Canada Education Savings Grant (CESG)
- Canada Learning Bond (CLB)
- Alberta Centennial Education Savings Plan Grants (Alberta Grants)
- Saskatchewan Advantage Grant for Education Savings (SAGES)

See **Appendix C** for a list of acronyms and terms used in this guide.

In this appendix

1. Eligibility for Basic and Additional CESG	B – 2
2. Eligibility for CLB	B – 2
3. Eligibility for the Alberta \$500 Grant.....	B – 3
4. Eligibility for Alberta \$100 Grants	B – 4
5. Eligibility for SAGES	B – 4

1. Eligibility for Basic and Additional CESG

- ☐ Does the beneficiary have a valid Social Insurance Number (SIN)?
- ☐ Has the subscriber established and registered an Education Savings Plan (ESP) and named a beneficiary?
- ☐ Is the beneficiary a Canadian resident at the time the contribution is made?
- ☐ Is the contribution made prior to the end of the calendar year in which the child turned 17?
- ☐ If the beneficiary is 16 or 17 years old, have one of the following two conditions been met?

A minimum of \$100 in annual Registered Education Savings Plan (RESP) contributions has been made in each of any four years (consecutive or not and not withdrawn) before the end of the calendar year the beneficiary turned 15?

OR

A minimum of \$2,000 in RESP contributions has been made (and not withdrawn) before the end of the calendar year the beneficiary turned 15?

*If all of the questions to this point have been answered in the affirmative, the contribution may be eligible for the **Basic CESG**.*

- ☐ Is the RESP an individual (non-family) plan or a family plan in which all beneficiaries are siblings?
- ☐ Is the contribution made to the RESP on or after January 1, 2005?
- ☐ Does the beneficiary's individual **primary caregiver** have a valid **SIN** or does the **public primary caregiver** (an agency responsible for a child in care) have a **Business Number**?
- ☐ Is the beneficiary's primary caregiver currently entitled to the Canada Child Tax Benefit (CCTB)?
- ☐ Is the beneficiary a dependent of a primary caregiver whose adjusted family net income is less than \$87,907? *

*If all of the questions to this point have been answered in the affirmative, the contribution may be eligible for both the **Basic CESG** and the **10% Additional CESG**.*

- ☐ Is the beneficiary a dependent of a primary caregiver whose adjusted family net income is less than \$43,953? *

*If all of the questions to this point have been answered in the affirmative, the contribution may be eligible for both the **Basic CESG** and the **20% Additional CESG**.*

*2014 Income levels; indexed annually.

1.1. Eligibility for a “Child in Care”

If the beneficiary is a “child in care” and met the eligibility criteria for the Basic CESG, the beneficiary automatically qualifies for the 20% Additional CESG if the agency is receiving payments under the *Children’s Special Allowance Act* on behalf of the beneficiary.

2. Eligibility for CLB

- ☐ Is the child a Canadian resident born in 2004 or later?
- ☐ Does the beneficiary have a valid SIN?
- ☐ Did the child’s individual **primary caregiver** receive the National Child Benefit Supplement (NCBS) for at least one month of the **benefit year**?

OR

- ☐ Did the public primary caregiver receive payments under the Children’s Special Allowances Act for a child in care, for at least one month of the benefit year?

*If all of these questions have been answered in the affirmative, the beneficiary may be eligible for the **CLB**.*

3. Eligibility for the Alberta \$500 Grant

- ☐ Has the subscriber established an RESP and named a beneficiary?
- ☐ Is the plan an individual (non-family) plan or a family plan in which all beneficiaries are siblings?
- ☐ Is the parent or legal guardian a resident of Alberta at the time of the request for the Alberta \$500 Grant, and ordinarily present in Alberta?
- ☐ Has the parent or legal guardian provided proof of Alberta residence?
- ☐ Was the child born in 2005 or later?
- ☐ Is the application for the Alberta \$500 Grant being submitted within six (6) years of the child’s date of birth?

*If all of the questions to this point have been answered in the affirmative, the beneficiary may be eligible for the **Alberta \$500 Grant**.*

4. Eligibility for Alberta \$100 Grants

- ☐ Is the child named as a beneficiary of an RESP?
- ☐ Is the parent or legal guardian a resident of Alberta at the time of request for the Alberta \$100 Grants, and ordinarily present in Alberta?
- ☐ Has the parent or legal guardian provided proof of Alberta residence?
- ☐ Has the child turned 8, 11, or 14 years old as of January 1, 2005?
- ☐ Is the child attending school (in or outside of Alberta, as satisfactory to the Government of Alberta)?
- ☐ Has a minimum contribution of \$100 been made to any RESP on the child's behalf within one year immediately preceding the application for each Alberta \$100 Grant?
- ☐ Is the application for the Alberta \$100 Grant being submitted within six years following the child's 8th, 11th, or 14th birthday?

*If all of the questions to this point have been answered in the affirmative, the beneficiary may be eligible for the **Alberta \$100 Grants**.*

5. Eligibility for SAGES

- ☐ Has the subscriber established an RESP and named a beneficiary?
- ☐ Does the promoter offer SAGES?
- ☐ Is the RESP either an individual RESP or a family RESP in which all of the beneficiaries are brothers and sisters?
- ☐ Is the beneficiary a resident of Saskatchewan when the RESP contribution is made?
- ☐ Is the RESP contribution made on or after January 1, 2013?
- ☐ Is the RESP contribution made on or before December 31st of the year in which the beneficiary turns 17?

*If all of the questions to this point have been answered in the affirmative, the beneficiary may be eligible for **SAGES**.*



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Canada Education Savings Program – RESP Provider User Guide

A P P E N D I X

C

Acronyms and Definitions

There are a number of acronyms and definitions that are specific to the Canada Education Savings Program (CESP), Employment and Social Development Canada (ESDC), and the application for and payment of the related education savings incentives.

An alphabetical listing of acronyms and definitions has been designed to assist readers to quickly identify the meaning of such terms as they are referred to within this guide.

Definitions have also been inserted into each chapter of the guide, usually as a sidebar.

In this appendix

1. List of Acronyms.....	C – 2
2. List of Definitions	C – 3

1. List of Acronyms

The following acronyms within this list of definitions are used throughout the RESP Provider User Guide.

AIP	Accumulated Income Payment
Alberta Grants	Alberta Centennial Education Savings Plan Grants
BN	Business Number
CCTB	Canada Child Tax Benefit
CESA	<i>Canada Education Savings Act</i>
CESG	Canada Education Savings Grant
CESP	Canada Education Savings Program
CLB	Canada Learning Bond
CRA	Canada Revenue Agency
CSA	Children's Special Allowance
EAP	Educational Assistance Payment
ESDC	Employment and Social Development Canada
ESP	Education Savings Plan
GTIS	Government Telecommunications and Informatics Services
ITA	<i>Income Tax Act</i>
ITS	Interface Transaction Standards
MSFT	Managed Secure File Transfer
NCBS	National Child Benefit Supplement
PCG	Primary caregiver
PIB	Personal Information Banks
RESP	Registered Education Savings Plan
RT	Record Type
SAGES	Saskatchewan Advantage Grant for Education Savings
SIN	Social Insurance Number
SIR	Social Insurance Registry

2. List of Definitions

The following terms are used throughout the RESP Provider User Guide.

Accumulated Income Payment (AIP)	A payment of the income earned from an RESP, usually paid to the subscriber. It does not include EAPs, payments to a designated educational institution in Canada, transfers to another RESP, or repayments of the CESG, CLB, Alberta Grants and SAGES. An AIP cannot be made as a single joint payment to separate subscribers.
Additional Canada Education Savings Grant (Additional CESG)	An Additional CESG payment of either 10% or 20% on the first \$500 or less of annual RESP contributions made on or after January 1, 2005. It is paid into an RESP on behalf of an eligible beneficiary. The Additional CESG is paid over and above the Basic CESG and is based on the adjusted family net income of the beneficiary's primary caregiver. See Adjusted Family Net Income .
Adjusted Family Net Income	CRA calculates the Adjusted Family Net Income from the Family Net Income and a number of other factors. CRA uses the Adjusted Family Net Income to calculate CCTB and NCBS amounts. The CESP also uses the Adjusted Family Net Income of a child's PCG to determine the child's eligibility for Additional CESG. For additional information contact CRA. See also Family Net Income and Individual Primary Caregiver .
Alberta Centennial Education Savings Plan Grants (Alberta Grants)	Provincial grants, introduced by the Government of Alberta in 2005 for eligible children with a parent or legal guardian who is a resident of Alberta. They are paid into an RESP on behalf of an eligible beneficiary and consist of the Alberta \$500 Grant and the Alberta \$100 Grants.
Assisted Contributions	Contributions made to an RESP that have attracted CESG payments.
Basic Canada Education Savings Grant (Basic CESG)	Basic CESG rate of 20% on contributions made to an RESP in respect of a beneficiary. The amount of annual Basic CESG payable per beneficiary is limited to the lesser of accumulated grant room available for the beneficiary or to the Basic CESG annual limit per beneficiary. CESG is paid into the RESP on behalf of an eligible beneficiary up until the end of the calendar year in which the beneficiary turns 17.
Beneficiary	Usually a child, but can be any person named by the subscriber of an RESP who may be eligible to receive the education savings incentive(s) and who may receive EAPs from the RESP. See Educational Assistance Payment (EAP) .
Benefit Year	The time period, as defined under the ITA, over which payments of the NCBS are made to eligible recipients. The benefit year runs from July 1 st of one year until June 30 th of the next year. The July 1 st start date is based on the April tax return for the previous year. The CLB is made available to families who qualify to receive the NCBS in a benefit year.

Blood Relative	The ITA describes a “blood relationship” as one between a parent and child (or grandchild or great grandchild) or between a brother or sister. The subscriber’s niece, nephew, aunt, uncle and cousin do <i>not</i> meet the definition of “blood relative”. An individual is not considered to be a blood relative of himself / herself.
Business Number (BN)	A 15 character alphanumeric code, assigned by CRA, that identifies the RESP promoter or agent authorized to submit transactions to the CESP.
Canada Child Tax Benefit (CCTB)	A tax-free monthly payment made to eligible families to help them with the cost of raising children who are under the age of 18. The NCBS may be included with the CCTB. See National Child Benefit Supplement (NCBS) .
Canada Education Savings Act (CESA)	The legislation that authorizes payment of the Basic and Additional CESP and the CLB.
Canada Education Savings Grant (CESG)	An education savings incentive administered by the CESP of the ESDC. The CESP is based on contributions made to an RESP on behalf of an eligible beneficiary and is comprised of two components: the Basic CESP and the Additional CESP. See Basic Canada Education Savings Grant (CESG) and Additional Canada Education Savings Grant (CESG) .
Canada Education Savings Program (CESP)	The program within ESDC responsible for administering the education savings incentives available to eligible RESP beneficiaries.
Canada Learning Bond (CLB)	An education savings bond introduced by the Government of Canada in 2004 to provide an education savings incentive for children in modest-income families, and for children in care, who are born on or after January 1, 2004. The CESP of the ESDC, will track the CLB for eligible children and hold these entitlements “in trust” as they accumulate until an RESP is designated to receive the CLB on their behalf. The CLB consists of the initial and subsequent CLB payments.
Canada Revenue Agency (CRA)	The federal government department responsible for the administration of the rules and regulations related to RESPs as set out under the ITA. CRA also shares information with the CESP, ESDC, for the purposes of confirming a beneficiary’s eligibility for the Additional CESP and the CLB; or confirming if a beneficiary is a child in the care of an agency receiving payments under the <i>Children’s Special Allowances Act</i> .
CESP System	An ESDC electronic application that supports the delivery of federal and provincial education savings incentives that are administered by ESDC. It enables the exchange of electronic information between the CESP and its partners: RESP providers, the Alberta Government, the Saskatchewan Government, CRA, and SIR.
Child in Care	A child under the care of an agency (public primary caregiver) that receives payments under the <i>Children’s Special Allowances Act</i> . See Public Primary Caregiver .

Children's Special Allowance (CSA)	A tax-free monthly payment authorized by the <i>Children's Special Allowances Act</i> , for a child who is under the age of 18, who physically resides in Canada, and who is under the care of an agency.
Contributions	Amounts of money deposited into an RESP by a subscriber on behalf of a beneficiary. Contributions may be eligible to attract CESG and SAGES payments. Payments made into an RESP through a designated provincial program are not considered to be contributions and will not attract CESG. See Designated Provincial Program .
Custodial Parent or Legal Guardian	An individual, department, agency, or institution that has the legal right to make decisions affecting a child's interests, and has the responsibility of taking care of the child.
Designated Provincial Program	A program defined under the ITA to encourage the financing of children's post-secondary education through savings in RESPs. These programs are established under the laws of a province and administered through an agreement between a province and ESDC or administered by the province itself. Payments made into an RESP through a designated provincial program are treated the same way as federal grants or bonds and do not attract federal grants or bonds themselves. These payments are not considered to be contributions to an RESP. See Contributions .
Education Savings Incentive(s)	Refers to one or all of the education savings assistance programs described within this User's Guide, including the Basic CESG, Additional CESG, CLB, Alberta Grants and SAGES.
Education Savings Plan (ESP)	A savings vehicle used to save for a child's post-secondary education. More precisely, it is a contract between an individual (the subscriber) and the RESP promoter. The subscriber makes contributions that accumulate tax free earnings. In return, the RESP promoter agrees to use the accumulated funds to pay EAPs to one or more beneficiaries designated by the subscriber. See Registered Education Savings Plan (RESP) .
Educational Assistance Payment (EAP)	A payment from an RESP to help an eligible beneficiary cover expenses associated with post-secondary education. An EAP is made up of educational incentive amounts paid into an RESP, as well as income earned on contributions and incentive amounts. The EAP must be included as income on the student's income tax return for the year payments were received.
Effective Date	The date that an RESP is opened; also referred to as "the effective date the plan was entered into."
Eligible Alternate Beneficiary	A beneficiary named in an RESP who is a sibling of the eligible beneficiary. This concept is specific to the Alberta Grants. See Alberta Centennial Education Savings Plan Grants (Alberta Grants) .
Eligible Beneficiary	A beneficiary of an RESP who meets the eligibility criteria required to receive one or more education savings incentives.

Employment and Social Development Canada (ESDC)	The department responsible for overseeing the CESP and the payment of education savings incentives into RESPs for eligible beneficiaries.
Enrolment (Full-time / Part-time)	The post-secondary institution determines and defines what constitutes full-time and part-time enrolment . For example, the beneficiary is considered to be attending post-secondary education full-time if the institution considers them to be enrolled full-time.
Error Reports	<p>CESP system-generated reports, identifying the field(s) in error, which are sent to the RESP provider when information submitted to the CESP is missing or improperly formatted. Until the RESP provider makes the correction and resubmits the information to the CESP system in a subsequent processing period(s), payment of the incentives will be delayed. There are two types of error reports:</p> <p>RT 800 Error Report indicates that validation has failed or information submitted is missing or incorrectly formatted. The record is rejected and the transaction must be corrected and resubmitted.</p> <p>RT 850 Severe Error Report identifies severe errors and advises that the record is rejected and must be corrected and resubmitted.</p>
Family RESP	An RESP that can have one or more beneficiaries. Each beneficiary must be connected by blood or adoption to each living subscriber under the plan, or have been connected to a deceased original subscriber. An individual can become a beneficiary of a family RESP only if that individual has not yet turned 21 or if the individual was, just before joining the family RESP, a beneficiary under another family RESP. Contributions to family RESPs can only be made until a beneficiary turns 31.
Family Net Income	The Family Net Income of a child's individual PCG is the net income of the PCG (line 236 of the income tax return). If the PCG has a spouse or common-law partner, it also includes the net income of the PCG's spouse or common-law partner. For more information contact CRA. See also Adjusted Family Net Income and Individual Primary Caregiver .
Government Telecommunications and Informatics Services (GTIS)	The organization, under the management of Public Works and Government Services Canada (PWGSC), that facilitates the secure exchange of information, via the internet, between organizations (RESP providers and the CESP).
Grant Room	The amount of CESP to which eligible children are entitled. Each year that they are eligible to receive the CESP, they accumulate grant room, even if they have not been named as the beneficiary of an RESP.
Group RESPs	<p>RESPs that are operated on a pooling principle, through age cohorts, where the beneficiary named under a contract by a subscriber will receive EAPs when enrolled in a qualifying program. Contributions to a Group plan are calculated by the Foundation's actuary. The amount and frequency of these contributions usually stay the same as long as the beneficiary has not attained 18 years of age.</p> <p><i>Since program rules may preclude sharing the incentive(s) and/or earnings, it is recommended that readers refer to the individual incentive chapters in Section 2: Education Savings Incentives, under the heading related to Receiving and Depositing the incentive.</i></p>

Income Tax Act (ITA)	The legislation that governs RESPs – the vehicle used to deposit education savings incentives and save for a beneficiary's post-secondary education.
Individual Primary Caregiver	The person eligible to receive the CCTB for the child, as defined under the ITA. This can be the mother, father, grandparent, or a guardian.
Individual RESP	A plan with only one beneficiary. That beneficiary may or may not be related to the subscriber and can be over 21 when named a beneficiary. Since subscribers can open plans for themselves, a subscriber can also be the beneficiary of a non-family RESP. Contributions to this type of plan can be made up to 32 years after the plan is established.
InfoSource	A document published by the Treasury Board Secretariat, which provides a description of government organizations, program responsibilities and classes of records with sufficient clarity and detail to enable the public to exercise its rights under the <i>Access to Information Act</i> . Info Source is distributed to libraries, municipal offices and federal government offices across Canada.
Interface Transaction Standards (ITS)	Outlines the procedures for formatting and submitting transactions electronically to the CESP System. The ITS can be downloaded from the ESDC website.
Managed Secure File Transfer (MSFT)	An Entrust®-enabled software recognized by ESDC as a secure method of data encryption.
National Child Benefit Supplement (NCBS)	A monthly payment issued to modest-income Canadian families with children. It is part of the CCTB, a non-taxable payment designed to help eligible Canadian families with the cost of raising children. See Canada Child Tax Benefit (CCTB) .
Non-family RESP	See Individual RESP
Notional Account	See RESP Account .
Ordinarily Present in Alberta	Refers to the residency status of persons who generally make their home in Alberta. It also includes persons who leave Alberta for a period of up to 12 months (or a longer period) as long as they intend to return to Alberta at the end of that period; for example, to attend school in another province or in the line of military duty.
Participating RESP Promoter	An RESP Promoter that is authorized to offer education savings incentive(s).
Post-Secondary Educational Institutions	Educational institutions, recognized by CRA, offering qualifying educational programs at the post-secondary level. Eligible beneficiaries must attend a qualifying program in a recognized post-secondary educational institution in order to receive EAPs. See Educational Assistance Payment (EAP) .

Primary Caregiver (PCG)	A person or organization primarily responsible for the care and upbringing of a child. A primary caregiver (PCG) can be an individual or a public entity. PCGs must provide their information and consent to apply for CLB and Additional CESG. See Individual Primary Caregiver and Public Primary Caregiver .
Privacy Act	The legislation that provides all individuals present in Canada access to federal information about themselves, and specifies how the government can collect, use, disclose, and retain personal information. It requires that government institutions develop and maintain an index of personal information holdings called Personal Information Banks (PIBs). The Act provides the legal framework for protecting personal information, accessing personal information, data matching, and controlling the use of SINS.
Promoter	The RESP promoter sets up a specimen plan, has it approved by CRA and enters into contracts (ESPs) with its clients. The promoter is responsible for the registration of the ESPs as well as for the general administration of the RESPs. Promoters include financial institutions, such as banks and credit unions, as well as Group plan dealers. See RESP Provider .
Provincial Grant	Grant money paid into the RESP under a designated provincial program administered by ESDC. See Alberta Centennial Education Savings Plan Grants (Alberta Grants) and Saskatchewan Advantage Grant for Education Savings (SAGES) .
Public Primary Caregiver	The child care departments, agencies, institutions and organizations eligible to receive payments under the <i>Children's Special Allowances Act</i> for a child in their care. See Child in Care .
Qualifying Contributions	Contributions made to an RESP that, based on available grant room, have the potential of attracting the CESG if all eligibility criteria are met. If and when these contributions actually attract CESG payments, they are then referred to as assisted contributions. See Assisted Contributions .
Qualifying Educational Program	A course of study that offers credits towards a degree, diploma or occupational skills certificate at the post-secondary level. The program must last at least three weeks in a row, with at least 10 hours of instruction or work each week. Programs at foreign universities must last at least three weeks, while programs at all other foreign educational institutions must last at least 13 weeks. Qualifying educational programs include apprenticeships, and programs offered by a trade school, CEGEP, college or university. See Specified Educational Program .
Receiving RESP Provider	The person or organization holding the RESP into which property is transferred from another plan. Other RESP documents may use the term "transferee" instead of "receiving".
Record Type (RT)	A data record that is exchanged between the RESP provider's system and the CESP system. There are a series of record types, each identifying a different type of transaction. All record types are defined in CESP's <i>ITS</i> . See Interface Transaction Standards (ITS) .

Registered Education Savings Plan (RESP)	An ESP that has been registered with CRA. It is a savings vehicle used by individuals to save for children's post-secondary education. Once registered, the plan becomes the repository for education savings incentive payments made on behalf of an eligible beneficiary. Earnings in the plan are tax-sheltered. See Education Savings Plan (ESP) .
Reporting Periods	The time period, extending from the first to the last day of the same month, over which RESP transactions take place. The RESP promoter has four (4) business days after the reporting period to send files for processing by the CESP system. They cannot include any transactions which occurred after the last day of the reporting period.
RESP Account	For tracking purposes, a separate account that identifies the value of each monetary component of the RESP, including contributions, earnings, CESP, CLB, Alberta Grants and SAGES. Also referred to as a notional account .
RESP Promoter	See Promoter .
RESP Property	All assets in an RESP, including contributions, education savings incentives, and earnings.
RESP Provider	RESP promoters, trustees as well as service providers that are hired to process electronic transactions. See Promoter and Trustee .
Saskatchewan Advantage Grant for Education Savings (SAGES)	Provincial grant introduced by the Government of Saskatchewan in 2013 for eligible children residing in Saskatchewan. Saskatchewan matches 10% of RESP contributions in SAGES amounts, up to \$250 per beneficiary for each eligible year, until the end of the calendar year in which a beneficiary turns 17. Total SAGES payments per beneficiary could reach \$4,500 if the beneficiary is eligible from birth until age 17.
Sending RESP Provider	The person or organization holding the RESP from which property is transferred to another plan.
Siblings-Only Family RESP	A family RESP in which every beneficiary is a brother or sister of every other beneficiary.
Specified Educational Program	A specified educational program means a program at a post-secondary school level that is not less than three consecutive weeks in duration and that requires each student taking the program to spend not less than 12 hours per month on courses in the program. See Qualifying Educational Program .
Specified Plan	A single beneficiary RESP under which the beneficiary is an individual who meets the conditions and is entitled to a disability tax credit, until the end of the year that is the 31st year following the year in which the plan was opened. After the end of the 35th year following the year in which the plan was entered into, a specified plan must not permit another individual to be designated as a beneficiary under the plan. No contributions (other than a transfer from another plan) may be made to a specified plan after the 35th year following the year the plan was entered into. The plan must be terminated by the end of the 40th year after the year the plan was opened.
Subscriber	The individual who enters into an RESP contract with an RESP promoter, and names one or more beneficiaries for whom he or she will make contributions.

Typically, the subscriber is the child's parent or parents, but it can also be a grandparent, another family member, or a family friend. A beneficiary can also be the subscriber of their own RESP.

Termination Adjustment Transaction

Adjustment transactions, submitted by RESP promoters when they terminate a contract, that inform the CESP of a shortfall (due to losses in the plan) in covering the total grant or bond liability of the contract. CESP must receive a repayment transaction due to contract termination (transaction type 21) for each termination adjustment transaction. See **Transaction Type**.

Transaction ID

A unique identifier assigned to each transaction by the RESP promoter.

Transaction Type

The two-digit number following the Record Type (RT), which further categorizes the type of transaction submitted to the CESP system. See **Record Type (RT)**.

Transfer Transactions

Transactions in which the transfer of funds from one RESP to another are recorded. They are reported to the CESP system as RT 400-19 (Transfer In) or as RT 400-23 (Transfer Out) records. See **Record Type (RT)**.

Transferring RESP Provider

The person or organization holding the RESP from which property is transferred (to another plan). Other RESP documents may use different terms instead of "transferring" such as: sending, relinquishing, originating, and transferor.

Trustee

A trust company licensed in Canada to hold funds and hired by the RESP promoter to manage RESP funds. The trustee invests, administers and distributes the money deposited into the RESP as per the promoter's instructions. In some cases, the same organization acts as both promoter and trustee. See **RESP Provider**.

Unassisted Contributions

A contribution made to an RESP for which no CESG has been paid.



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CESP – RESP Provider User Guide

A P P E N D I X

D

Forms Index

The *Registered Education Savings Plan (RESP) Provider User Guide* makes reference to a number of forms related to the application for and/or the management of processes associated with the education savings incentives.

The attached index lists all of the forms alphabetically and provides the location(s) in the guide where information and instructions pertaining to each form can be found. This approach allows for the relevant form to be selected from the **Alphabetical List of Forms** and for the user to navigate to the identified section, chapter and heading within the guide.

In this appendix

Alphabetical List of Forms	D – 2
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1. Alphabetical List of Forms

Form Title	Section	Chapter	Heading
Application for Alberta Centennial Education Savings Plan Grant	2	Chapter 2-4: The Alberta Centennial Education Savings Plan Grants	4.1. The Application Process – Alberta Grants
	4	Appendix A: Application Forms – Education Savings Incentives	5. Application for Alberta Centennial Education Savings Plan Grants
Application: Basic and Additional Canada Education Savings Grant (CESG) and Canada Learning Bond (CLB)	2	Chapter 2-1: The Basic Canada Education Savings Grant	7.1. The Application Process – Basic CESG
	2	Chapter 2-2: The Basic and Additional Canada Education Savings Grant	8.1. The Application Process – Basic and Additional CESG
	2	Chapter 2-3: The Canada Learning Bond	4.1 The Application Process – CLB
	4	Appendix A: Application Forms – Education Savings Incentives	1. Application Form HRSDC SDE 0093
Request for an Educational Assistance Payment (EAP) Over \$5,000 from a Registered Education Savings Plan	3	Chapter 3-2: Post-Secondary Education and Educational Assistance Payments	5.1.1 Full-Time Studies – EAPs in Excess of \$5,000
Request for an Educational Assistance Payment (EAP) Over \$2,500 from a Registered Education Savings Plan	3	Chapter 3-2: Post-Secondary Education and Educational Assistance Payments	5.1.2 Part-Time Studies – EAPs in Excess of \$2,500

Form Title	Section	Chapter and Title	Heading
Request for Ministry Review – Alberta Centennial Education Savings Grant	2	Chapter 2-4: The Alberta Centennial Education Savings Plan Grants	5.5 Requesting for Ministry Review of a Denied Application or to Prevent the Denial of an Application
RESP Transfer Form	1	Chapter 1-4: Registered Education Savings Plans	7.3. Recording Transfers
	3	Chapter 3-1: RESP Transfers and the Education Savings Incentives	5. Transfer Forms
SIN Application Form	1	Chapter 1-4: Registered Education Savings Plans	2.3.Social Insurance Numbers (SINs)
Subscriber Statement for an RESP Overcontribution Withdrawal of \$4,000 or Less	2	Chapter 2-1: The Basic Canada Education Savings Grant	9.2.1. Order of Contribution Withdrawals, (Box: Withdrawals to Correct an Overcontribution)
	2	Chapter 2-2: The Basic and Additional Canada Education Savings Grant	10.2.1. Order of Contribution Withdrawals, (Box: Withdrawals to Correct an Overcontribution)
T1E-OVP Individual Income Tax Return For RESP Excess Contributions for (year) *	1	Chapter 1-4: Registered Education Savings Plans	5. Overcontributions

* Canada Revenue Agency (CRA) form.



Important notice: This document is revised regularly. Visit the following address for the latest version:
http://www.esdc.gc.ca/eng/jobs/student/promoters/user_guide/index.shtml

CESP – RESP Provider User Guide

A P P E N D I X

E

Understanding Error Codes

The Canada Education Savings Program (CESP), within Employment and Social Development Canada (ESDC), is responsible for administering the following education savings incentives available to eligible beneficiaries of Registered Education Savings Plans (RESPs):

- Canada Education Savings Grant (CESG)
- Canada Learning Bond (CLB)
- Alberta Centennial Education Savings Plan Grants (Alberta Grants)
- Saskatchewan Advantage Grant for Education Savings (SAGES)

This appendix explains the reasons for Error Codes, as well as possible means to resolve them, when the CESP system does not accept transactions submitted by RESP providers.

See **Appendix C** for a list of acronyms and terms used in this guide.

In this appendix

1. Background Information	E – 2
2. Error Codes	E – 3

1. Background Information

This document provides information to assist RESP providers understand Error Codes. For additional technical information, consult the Interface Transaction Standards (ITS).

The ITS can be downloaded from the following Web address:

<http://www.esdc.gc.ca/eng/jobs/student/promoters/index.shtml#tab3>

1.1. What is an Error Code?

An Error Code is a 4-digit code, which indicates why the CESP system has not accepted a transaction sent by an RESP promoter.

1.2. How are Error Codes Reported to Promoters?

The CESP system reports transaction errors in monthly error report files (.err) sent to promoters. Each rejected transaction generates a corresponding record type 800 transaction that references the original promoter transaction identifier, along with the name of the field in error.

1.3. How does an Error Code differ from a Refusal Reason?

If the CESP system cannot process an RESP transaction sent by a promoter, due to an error in the transaction information, the CESP system will reject the transaction. In these cases, the promoter will receive a corresponding record type 800 transaction with an Error Code indicating why the CESP system did not process the transaction. Promoters must investigate Error Codes and resubmit new transactions with the corrected information.

Transactions successfully processed by the CESP system will not generate Error Codes. However, a processed transaction will receive a Refusal Reason if the CESP does not pay the full amount of grant or bond for a transaction.

1.4. Using this document

This document lists:

- Error Codes and the corresponding ITS description; and
- explanations.

2. Error Codes

ERROR CODE	EXPLANATION
1004 Transaction is for a future reporting period	<p>Error Code 1004 is generated when the transaction date reported in a Record Type (RT) 100, RT 200, RT 400, RT 410 or RT 511 is for a future reporting period. The transaction date refers to the date on which the transaction occurred between the subscriber and the promoter.</p> <p>RESOLUTION: Promoters report all transactions in a reporting period following the end of the period in which the transaction occurred. Reporting periods extend from the first day of the month to the last day of the same month. Promoters have four (4) business days after the reporting period ends to finalize their files. Transactions, with a transaction date following the last day of the reporting period, should not be submitted.</p> <p>Should there be system related problems; the promoter is to contact the CESP directly.</p>
1005 Specimen plan does not exist	<p>Error Code 1005 is generated on RT 100, RT 200, RT 400, RT 410 or RT 511 when the promoter submits a specimen plan ID that does not exist in the CESP System.</p> <p>RESOLUTION: Promoters should first verify the specimen plan ID submitted to the program before any transactions are processed in the CESP System.</p>
1007 Specimen Plan is not approved for CESP	<p>Error Code 1007 is generated when the specimen plan has not been approved for CESP. The Specimen Plan must be approved for CESP if:</p> <ul style="list-style-type: none"> • Transaction Type is 11 or 14. • Transaction Type is 13 and EAP Grant Amount is greater than zero. • Transaction Type is 19, 21, 22, 23 and Grant Amount is greater than zero. <p>RESOLUTION: Only approved specimen plans are accepted in the CESP database. When a promoter secures a new specimen plan ID from Canada Revenue Agency (CRA), the promoter should contact CESP as soon as possible so the CESP database can be updated accordingly prior to any processing of transactions under the new specimen plan ID.</p>

ERROR CODE	EXPLANATION
1008 Specimen Plan is not approved for CLB	<p>Error Code 1008 is generated when the specimen plan has not been approved for CLB. The Specimen Plan must be approved for CLB if:</p> <ul style="list-style-type: none"> • Transaction Type is 13 and EAP CLB Amount is greater than zero. • Transaction Type is 19, 21, 22, 23 and CLB Amount is greater than zero. • Transaction Type is 24. <p>RESOLUTION: Only approved specimen plans are accepted in the CESP database. When a promoter secures a new specimen plan ID from CRA, the promoter should contact CESP as soon as possible so the CESP database can be updated accordingly prior to any processing of transactions under the new specimen plan ID.</p>
1009 Specimen Plan is not approved for Alberta Grant	<p>Error Code 1009 is generated when the specimen plan has not been approved for Alberta Grants. The Specimen Plan must be approved for Alberta Grants if:</p> <ul style="list-style-type: none"> • Transaction Type is 13 and EAP Alberta Grant Amount is greater than zero. • Transaction Type is 19, 21, 22 or 23 and Alberta Grant Amount is greater than zero. • Transaction Type is 25. <p>RESOLUTION: Only approved specimen plans are accepted in the CESP database. When a promoter secures a new specimen plan ID from CRA, the promoter should contact CESP as soon as possible so the CESP database can be updated accordingly prior to any processing of transactions under the new specimen plan ID.</p>
1010 Contract is not Individual / Sibling only	<p>Error 1010 is generated when a RT 400-24, RT 400-25, RT 410-30 and/or RT 511-12 contract is not 'Individual Sibling Only'.</p> <p>RESOLUTION: The RT 100 should be submitted/resubmitted for these contracts with an Individual Sibling Only Flag of '1' to the Program. If the RT 100 was never submitted to the CESP system, the contract creation date can be used as the contract transaction date as long as, the contract held an individual sibling only status upon account creation. If an RT 100 has already been submitted, the resubmission of this contract record with the individual sibling only flag of '1' requires a current version status. In order for a contract record to obtain a current version status, the contract date used should be greater or equal to the date previously reported. All financial transactions that previously received error code 1010 can now be resubmitted along with the RT 100 resubmission(s). Note that financial transactions with a transaction date that precedes its associated contract transaction date will not qualify for payment.</p>

ERROR CODE	EXPLANATION
1011 Sender is not authorized to submit transactions with CESG content	<p>Error Code 1011 is generated because senders must be authorized to submit transactions with CESG content if:</p> <ul style="list-style-type: none"> Transaction Type is 11 or 14. Transaction Type is 19, 21, 22, 23 and grant amount is greater than zero. Transaction type is 13 and EAP grant amount > zero. <p>RESOLUTION: To become authorized, the promoter must meet the requirements of a qualification process and be added to the CESP system. The promoter must then pass industry testing with an overall success rate of 90 per cent or greater before submitting files for processing. If a service provider is sending files on behalf of multiple promoters, each one of those Senders must pass industry testing with their own data.</p>
1012 Sender is not authorized to submit transactions with CLB content	<p>Error Code 1012 is generated because sender must be authorized to submit transactions with CLB content if:</p> <ul style="list-style-type: none"> Transaction Type is 24. Transaction Type is 19, 21, 22, 23 and CLB amount is greater than zero. Transaction Type is 13 and CLB EAP amount is greater than zero. <p>RESOLUTION: To become authorized, the promoter must meet the requirements of a qualification process and be added to the CESP system. The promoter must then pass industry testing with an overall success rate of 90 per cent or greater before submitting files for processing. If a service provider is sending files on behalf of multiple promoters, each one of those Senders must pass industry testing with their own data.</p>
1013 Sender is not authorized to submit transactions with Alberta Grant content	<p>Error Code 1013 is generated because sender must be authorized to submit transactions with Alberta Grant content if:</p> <ul style="list-style-type: none"> Transaction type is 25. Transaction Type is 19, 21, 22, 23 and Alberta Grant amount is greater than zero. Transaction type is 13 and Alberta Grant amount is greater than zero. <p>RESOLUTION: To become authorized, the promoter must meet the requirements of a qualification process and be added to the CESP system. The promoter must then pass industry testing with an overall success rate of 90 per cent or greater before submitting files for processing. If a service provider is sending files on behalf of multiple promoters, each one of those Senders must pass industry testing with their own data.</p>

ERROR CODE	EXPLANATION
1014 Sender is not authorized to submit transactions with Additional CESG content	<p>Error Code 1014 is generated because sender must be authorized to submit transactions with Additional CESG content if:</p> <ul style="list-style-type: none"> • Transaction Type is 11 and PCG is present. • Transaction Type is 11 and PCG Given Name is present. • Transaction Type is 11 and PCG Surname is present. • Transaction Type is 11 and PCG Type is present. • Transaction Type is 12. <p>RESOLUTION: To become authorized, the promoter must meet the requirements of a qualification process and be added to the CESP system. The promoter must then pass industry testing with an overall success rate of 90 per cent or greater before submitting files for processing. If a service provider is sending files on behalf of multiple promoters, each one of those Senders must pass industry testing with their own data.</p>
1015 Sender is not authorized to submit transactions with SAGES content	<p>Error Code 1015 is generated because senders must be authorized to submit transactions with SAGES content if:</p> <ul style="list-style-type: none"> • Transaction Type is 30 or 31. • Transaction Type is 19, 21, 22, 23 and SAGES amount is greater than zero. • Transaction type is 13 and EAP SAGES amount is greater than zero. <p>RESOLUTION: Only approved specimen plans are accepted in the CESP database. When a promoter either secures a new specimen plan ID or amends an existing specimen plan with CRA, the promoter should contact CESP as soon as possible so the CESP database can be updated accordingly prior to any processing of transactions under the new or amended specimen plan ID.</p>
1016 Specimen Plan is not approved for SAGES	<p>Error Code 1016 is generated when the specimen plan has not been approved for SAGES. The Specimen Plan must be approved for SAGES if the following transactions are being submitted for processing:</p> <ul style="list-style-type: none"> • Transaction Type 30 or 31. • Transaction Type 13 and EAP SAGES Amount is greater than zero. • Transaction Type 19, 21, 22 or 23 and SAGES Amount is greater than zero. <p>RESOLUTION: Only approved specimen plans are accepted in the CESP database. When a promoter secures a new specimen plan ID from CRA, the promoter should contact CESP as soon as possible so the CESP database can be updated accordingly prior to any processing of transactions under the new specimen plan ID.</p>

ERROR CODE	EXPLANATION
2027 Transaction date precedes beneficiary Birth Date	<p>Error Code 2027 is generated on RT 200-03, RT 400 (specifically Transaction Types 11, 13, 14, 24, 25 and 21 if the CLB amount is greater than zero), RT 410 and on RT 511. The transaction date represents the date the activity (financial or other) occurred between the promoter and the subscriber of the RESP.</p> <p>RESOLUTION: The transaction date must be on or subsequent to the beneficiary's date of birth. The promoter should correct the transaction date and resubmit the transaction.</p>
2033 Transaction date must be before beneficiary's 21 st birthday	<p>Error Code 2033 is generated because the transaction date must be before beneficiary's twenty first birthday if Transaction Type is 24.</p> <p>RESOLUTION: When transaction type is 24, the transaction date must be before the beneficiary's 21st birthday. The promoter should correct the transaction date and resubmit the transaction.</p>
3006 Amount must be greater than zero	<p>Error Code 3006 is generated on RT 400. In Transaction Types 11-Contribution, 13-EAP and 14-PSE Contribution Withdrawal. The Contribution Amount, EAP Amount, and PSE Amount must be a numeric value from 0.01 to 9,999,999.99.</p> <p>RESOLUTION: The amount indicated in the Contribution, the EAP or the PSE Contribution Withdrawal fields must be a number between 0.01 and 9,999,999.99. The promoter should correct the amount and resubmit the transaction.</p>

ERROR CODE	EXPLANATION
3099 Amount is out of range	<p>Error Code 3099 is generated on RT 400, specifically on the Grant Amount, EAP Grant Amount, CLB Amount, CLB EAP Amount, Alberta Grant Amount and Alberta Grant EAP Amount fields.</p> <p>CLB Amount – if an amount is entered, dollar value must be 0.00 to 20,000 if transaction type = 19, 23 or 22.</p> <p>CLB Amount – if amount is entered, dollar value must be 0.00 to 5,000.00 if transaction type = 21.</p> <p>CLB EAP Amount – if amount entered, dollar value must be 0.00 to 5000.00 if transaction type = 13.</p> <p>Grant Amount, EAP Grant Amount, Alberta Grant Amount, Alberta Grant EAP Amount, SAGES Amount and SAGES EAP Amount fields, when mandatory, must be populated with a numerical value from 0.00 to 9,999,999.99.</p> <p>RESOLUTION: For transaction types 19, 22 or 23, the CLB amount must be between 0.00 and 20,000. For transaction type 21, the CLB Amount must be between 0.00 and 5,000.00. For transaction type 13, the CLB EAP Amount must be between 0.00 and 5000.00. Grant Amounts, EAP Grant Amounts, Alberta Grant Amounts, Alberta Grant EAP Amounts, SAGES Amounts and SAGES EAP Amounts must be between 0.00 and 9,999,999.99 when mandatory. The promoter should correct the amount in error and resubmit the transaction.</p>
5025 Contribution transaction has been reversed - invalid status	<p>Error Code 5025 is generated on a RT 511. Reversed transactions cannot be amended or updated with the RT 511.</p> <p>RESOLUTION: The RT 511 cannot update or amend a reversed transaction.</p>
5026 Error in contribution transaction, current transaction cannot be processed	<p>Error Code 5026 is generated because of an error in the original contribution transaction. Therefore the amendment/update transaction cannot be processed.</p> <p>RESOLUTION: The error must be corrected in the original contribution transaction before submitting an updated transaction.</p>
5027 Unable to locate the contribution transaction	<p>Error Code 5027 occurs when RT 511s are being submitted for a non-submitted/existent or reversed RT 400-11 transaction.</p> <p>RESOLUTION: If the contribution transaction does not exist in the system, it will be impossible to link the PCG Transaction information to the transaction. The promoter should first correct the contribution transaction, and then resubmit the RT 511.</p>

ERROR CODE	EXPLANATION
5028 Date of contribution transaction must be later than December 31, 2004	<p>Error Code 5028 Date of contribution transaction must be later than December 31, 2004.</p> <p>RESOLUTION: The contribution transaction date must be later than December 31, 2004. The promoter must correct the date and resubmit.</p>
5029 PCG information is same as in contribution transaction received in the same period - no processing performed	<p>Error Code 5029 - PCG Information is same as in contribution transaction received in the same period – no processing performed.</p> <p>RESOLUTION: The following fields must be different for the system accepts the transaction:</p> <ul style="list-style-type: none"> Promoter BN, Specimen Plan ID, Contract ID, PCG, PCG given name, PCG surname, PCG type
5030 Contribution transaction did not request grant	<p>Error Code 5030 - In order to request Additional CESG, the original contribution transaction (RT 400-11) must request grant.</p> <p>RESOLUTION: The original contribution transaction must request CESG. The promoter must correct and resubmit.</p>
5031 Contribution transaction date is later than Specimen Plan eligibility end date	<p>Error Code 5031 The contribution transaction date must be earlier than the specimen plan eligibility end date.</p> <p>RESOLUTION: The promoter must correct the contribution transaction date and resubmit.</p>
5032 A more recent PCG information transaction is already associated to the contribution	<p>Error Code 5032 - A more recent PCG information transaction is already associated to the contribution.</p> <p>RESOLUTION: If Additional CESG refusal reason is I, L or M, PCG information should be updated (through another RT 511) by using a <u>later date</u> than the previously submitted RT 511. If Additional CESG refusal reason is 4, Beneficiary information should be corrected at CRA (refer to the “Beneficiary Matching Report for Refusal Reason 4” for unmatched fields), then RT 511 (with same PCG information) should be submitted with a <u>later date</u> than the previously submitted RT 511.</p>
5033 Late contribution transaction	<p>Error Code 5033</p> <p>RT 511 is being submitted for a RT 400-11 transaction that is no longer eligible for additional grant due to 3 year rule. (The transaction date of the RT 400-11 and file sent date of the RT 511 exceed 36 months.)</p> <p>RESOLUTION: There can be no more than 36 months between the RT 400-11 transaction date and the RT 511 sent date. The promoter must correct and resubmit.</p>

ERROR CODE	EXPLANATION
5034 Date of contribution transaction must be later than December 31, 2012	Error Code 5034 Date of contribution transaction must be later than December 31, 2012 to receive SAGES. RESOLUTION: The contribution transaction date must be on or after January 1, 2013.
5035 No Valid SAGES request received on the contribution	Error Code 5035 – A transaction to cancel a SAGES request has been received, however the original SAGES request transaction (RT 410-30) did not request SAGES. RESOLUTION: If the intent was to request SAGES, resubmit the contribution with this request.
5036 Valid cancel request already processed for the contribution	Error Code 5036 - A cancel SAGES request transaction (RT 410-31) has been received for a transaction that is already cancelled. RESOLUTION: Confirm the status of the original SAGES transaction prior to submitting a RT 410-31.
6000 Physical file name does not correspond to file name in header record	Error Code 6000 is generated when there is a discrepancy between the file name sent by the promoter and the header record within the file. As outlined in the Interface Transaction Standards, the physical naming of a file must follow the proceeding format: Header To CESP: 001 + Sender BN + Date Sent + Sender file number For further information on file naming conventions, we recommend that you refer to the Interface Transaction Standards 5.0. The combination of Sender BN, Date Sent and File Number must match in both the file name and the header record. Please contact the CESP directly for any systems problems relating to the structure of files and records. RESOLUTION: The physical file name and the Header Record (the first record in the file) must be the same excluding the file type in the header record. The promoter must correct and resubmit.

ERROR CODE	EXPLANATION
6001 Incorrect format of physical file name	<p>Error Code 6001 is generated when the physical file name does not adhere to the File Naming Standard outlined in the Interface Transaction Standards 4.4. Physical naming of a file must follow the format below:</p> <p>To CESP: File Type + Sender BN + Date Sent + Sender file number</p> <p>The File Type is a single uppercase character that indicates the type of file being submitted. P = Production Data file, S = Summary Reporting file, T = Test file, or Z = Test Summary Reporting file.</p> <p>The Promoter BN must be a 15-character alphanumeric field.</p> <p>The Date Sent format is: YYYYMMDD.</p> <p>The File Number is a two digit number assigned by the Sender to distinguish between multiple files sent to CESP on the same day. If the Sender sends one file in a day, a file number must still be used. The file number does not need to follow a strict sequence.</p> <p>RESOLUTION: The physical file name must adhere to the File Naming Standard. The promoter must rename the file and resubmit.</p>
6002 Duplicate record with same file name found in database	<p>Error Code 6002 The combination of Sender BN, Date Sent and Sender File number submitted by the Sender must be unique. If the same combination has already been received and processed by the CESP System, the file is rejected. A file number may be repeated by a promoter, providing the Date Sent is different. Additionally, two or more files can be submitted on the same day (with the same Date Sent), providing each file has its own unique file number.</p> <p>RESOLUTION: File names must be unique. The promoter must rename the file per the File Naming Standard while making sure that it has its own unique number and resubmit.</p>
6003 No header record	<p>Error Code 6003 is generated when a file is submitted without a RT 001 - Header record. The header record is mandatory to identify the source of a transaction file. Should there be any system related problems in regards to generating a proper header record the Sender/Promoter is to contact CESP immediately.</p> <p>RESOLUTION: A header record must be included in the file. The promoter must add a header record and resubmit.</p>
6005 Too many header records in File	<p>Error Code 6005 is generated when more than one RT 001 is submitted in one file. Each file must have one and only one RT 001.</p> <p>RESOLUTION: The promoter must eliminate the surplus header record and resubmit the file.</p>

ERROR CODE	EXPLANATION
6006 This BN is not authorized to send files	<p>Error Code 6006 is generated when the Sender BN referenced in the record is not recognized by the CESP system as being authorized to send files. The Sender BN is a 15 character alphanumeric identifier unique to each promoter conducting business with CESP.</p> <p>To become authorized, the promoter must meet the requirements of a qualification process and be added to the CESP system. The promoter must then pass industry testing with an overall success rate of 90 per cent or greater before submitting files for processing. If a service provider is sending files on behalf of multiple promoters, each one of those Senders must pass industry testing with their own data.</p> <p>RESOLUTION: Verify that the appropriate BN is being used. If it is indeed a new BN that has not been tested, the promoter must contact the CESP to begin industry testing.</p>
6010 Record count does not match the number of records in file	<p>Error Code 6010 is generated when the number of records in a file does not match the Record Count as submitted in the RT 999-Trailer Record. The Trailer Record, also referred to as the Transaction Control Count, must include in its Record Count the total number of transactions (RT 100, RT 200, RT 400, RT 410 etc.), including the header, sub-header and trailer record.</p> <p>RESOLUTION: The number of records in the file must be the same as the record count in the trailer record. The promoter must correct and resubmit.</p>
6011 Too many trailer records in file	<p>Error Code 6011 is generated when more than one RT 999 is submitted in a file. Each file must have one, and only one, RT 999.</p> <p>RESOLUTION: The promoter must eliminate the surplus trailer record and resubmit the file.</p>
6012 No trailer records in file	<p>Error Code 6012 is generated when a file is submitted without a RT 999. The RT 999-Trailer Record is mandatory in each file submitted by the Sender and is used to provide CESP and the promoter's system with a control count of the number of records in each file.</p> <p>RESOLUTION: A trailer record must be included in the file. The promoter must add a trailer record and resubmit.</p>
6014 The data version in header does not match the current version	<p>Error Code 6014 is generated when the data version in the file is not the current version. The Data Version is a mandatory field of the RT 001-Header Record and must be populated with the current version number of the ITS in order to be processed successfully.</p> <p>RESOLUTION: The data version indicated in the file must be the most current version of the ITS. The promoter must correct and resubmit.</p>

ERROR CODE	EXPLANATION
<p>6015</p> <p>Trailer record not last in file</p>	<p>Error Code 6015 is generated when there is another character or transaction found after the RT 999-Trailer Record. The RT 999 must be the last record in each file and contain an accurate control count or the file is rejected. For further validation rules on the RT 999, please refer to the ITS.</p> <p>RESOLUTION: The trailer record must be the last record in the file. The promoter must delete all additional spaces or characters that may be after the trailer record and resubmit.</p>
<p>6016</p> <p>Header record not the first record in the file</p>	<p>Error Code 6016 is generated when there is another character or transaction found before the RT 001-Header Record. The RT 001 must be the first record in each file or the file is rejected. For further validation rules on the RT 001, please refer to the ITS.</p> <p>RESOLUTION: The header record must be the first record in the file. The promoter must delete all additional spaces or characters that may be before the header record and resubmit.</p>

ERROR CODE	EXPLANATION
<p>7000</p> <p>Invalid Date</p>	<p>Error Code 7000</p> <p><i>Error Code 7000</i> is most commonly generated for one of the following reasons:</p> <ol style="list-style-type: none"> 1. The year of birth submitted on a RT 200-03 Beneficiary Information is not submitted in valid date format, or 2. The year of birth submitted does not match the year of birth already established for the beneficiary in the CESP system for the beneficiary. <p>If this error is generated, the beneficiary information is not sent to the Social Insurance Registry (SIR) for validation.</p> <p>Please note that for an <i>Error Code 7000</i>, the five SIR fields are not populated in the Record Type 900-Transaction Error Report because the transaction is rejected before being sent to SIR for validation.</p> <p>RESOLUTION: (1) The CESP system requires that all dates be formatted YYYYMMDD, numerals only without delimiters such as spaces or punctuations. To correct this error, the promoter will ensure the date being submitted is formatted as outlined in the Interface Transaction Standards 4.4 in section 2.8.</p> <p>(2) If the birth date format is correct, the promoter should verify the birth date on their records with the custodial parent and/or subscriber of the RESP. Should the custodial parent and/or subscriber confirm the date of birth already being submitted, the promoter should direct him/her to contact the SIR.</p> <p>An <i>error code 7000</i> received on an RT 200-03 beneficiary information transaction should be perceived by the promoter as similar to an error code 7006-Invalid SIN. The year of birth being submitted does not correspond with the year of birth already validated by SIR. However, since the remaining four fields (Given Name, Surname, Gender, and SIN) are not sent to SIR for validation, the CESP advises that all five fields be verified with the subscriber/custodial parent.</p> <p>The CESP has noted that a very small number of 7000 errors received on the RT 200-03 require manual intervention on the part of the program. Your promoter support officer is responsible to review monthly any 'potential' manual fixes for your company. However, should you have concern that a 7000 error received requires manual intervention, please contact your promoter support officer.</p>

ERROR CODE	EXPLANATION
7001 Invalid value	<p>Error Code 7001 informs promoters that a transaction used an invalid value. This is a common error when promoters submit a financial transaction (RT 400) using a beneficiary SIN that is not currently established in the CESP system. A beneficiary SIN would not be established in the CESP system for the following reasons:</p> <ol style="list-style-type: none"> 1. The RT 200-03 Beneficiary Information transaction was never submitted; 2. The RT 200-03 Beneficiary Information transaction was submitted but was rejected with an Error Code; 3. The beneficiary SIN is no longer valid in the CESP system. <p>RESOLUTION:</p> <p>(1) If you have not submitted a RT 200-03 Beneficiary Information transaction:</p> <p>Please submit a RT 200-03 in the following production run. The financials can be submitted in the same month for processing.</p> <p>(2) If you have submitted a RT 200-03 Beneficiary Information transaction and received an error code:</p> <p>Check the error reports returned by the CESP to verify why the RT 200-03 did not process successfully. The error report will provide the error that was generated on the RT 200-03, as well as the field that was in error. This error should be corrected and the RT 200-03 resubmitted. The financial transactions (RT 400) can then be submitted for processing in the same file as the correct RT 200-03.</p> <p>(3) If you have already successfully submitted a RT 200-03 Beneficiary Information transaction:</p> <p>The CESP validates, on a monthly basis, the usability of the SIN for all beneficiaries already established in the system. The SIN Validation Report (RT 920) notifies promoters when beneficiaries have SIN issues. If beneficiary SIN information changes (e.g. permanent SIN replaces an expired 900 series SIN), the beneficiary SIN in the CESP system becomes a linked SIN (SIN Issue 3 in RT 920) and the CESP rejects financial transactions (RT 400), submitted using the original SIN, with an Error Code 7001. The promoter must submit a new RT 200-03 Beneficiary Information transaction to the CESP with the updated beneficiary SIN and resubmit all financial transactions (RT 400) rejected with an Error Code 7001.</p>
7002 Invalid Transaction Type	<p>Error Code 7002 is generated on RT 100, RT 200, RT 400, RT 410 or RT 511 when the Transaction Type referenced in the record is not supported by the CESP system or is not valid for the given record type. For a complete list of record types and their corresponding transactions types, please refer to pages 38, 41 and 46 of the ITS.</p> <p>RESOLUTION: Only use valid transaction types as per ITS. The promoter must correct and resubmit.</p>

ERROR CODE	EXPLANATION
7005 Data is missing from field	<p>Error Code 7005 is generated when data is missing from a mandatory field. When submitting a RT 001, RT 100, RT 200, RT 400, RT 410, RT 511 or RT 999 to CESP, all mandatory fields, as per the ITS, must be filled. (Please refer to the Interface Transaction Standards document to identify mandatory fields for each RT.) Should any mandatory fields be left empty, the transaction will reject.</p> <p>RESOLUTION: Ensure all mandatory fields are populated before submitting transactions to the CESP system.</p>
7006 Invalid SIN	<p>1. Error Code 7006 is commonly generated by the CESP on RT 200-03 'Beneficiary Information' when the information in one or more of the five fields submitted by the promoter does not match what is held at SIR. The five fields verified with SIR are: SIN, Given Name, Surname, Gender, and Date of Birth. Any and all fields that are rejected by SIR are noted in the error report returned to the promoter by the CESP.</p> <p>2. An Invalid SIN error will also be returned if the beneficiary's SIN is not numerically valid. A mathematical formula is used by ESDC to determine the validity of the composition of a SIN before the beneficiary's information is sent to SIR. Therefore, if the Invalid SIN error is due to the SIN not being numerically valid, no information will appear in the five fields returned in the error report.</p> <p>3. In some instances, a promoter may receive an Error Code 7006 – Invalid SIN even though all five fields are designated with a '1' - Passed SIR Validation. This situation may occur where a SIN has been changed or linked to another SIN at SIR.</p> <p>RESOLUTION: 1 & 2. Determine which field is in error (as reported back to the promoter in the error report) and verify the information with the subscriber of the RESP. Should the subscriber confirm that the information is correct; the promoter should refer the subscriber to SIR. Please note that SIR will only discuss information held in their database with the beneficiary's custodial parent. Once the information is corrected, the transaction should be resubmitted by the promoter.</p> <p>3. Where the promoter receives an Error code 7006 - Invalid SIN, but all five fields are designated with a '1' - Passed SIR Validation, the promoter should contact the subscriber and/or custodial parent to verify if the beneficiary's SIN has been changed for any reason since initially provided. Should the subscriber/custodial parent confirm that the beneficiary's SIN has been changed, the promoter must submit a new RT 200-03 - Beneficiary Information – with the new SIN for each contract and specimen plan held for that beneficiary.</p> <p>The promoter should also contact the CESP to advise that a new SIN is being submitted for the beneficiary and to discuss any further transactions that may need to be submitted to update the beneficiary's accounts.</p>

ERROR CODE	EXPLANATION
7008 Promoter is not associated with the specimen plan	<p>Error Code 7008 is generated on RT 100, RT 200, RT 400, RT 410 or RT 511 where the Specimen Plan ID referenced is not recognized by the CESP system as belonging to the promoter.</p> <p>The Specimen Plan ID is a numeric identifier assigned to the promoter by CRA.</p> <p>To become authorized, the promoter must meet the requirements of a qualification process and be added to the CESP system. The promoter must then pass industry testing with an overall success rate of 90 per cent or greater before submitting files for processing. If a service provider is sending files on behalf of multiple promoters, each one of those promoters must pass industry testing with their own data.</p> <p>RESOLUTION: If the specimen plan was erroneously indicated, the promoter must correct and resubmit. If the specimen plan is new to the promoter, the promoter must contact CESP to initiate Industry Testing.</p>
7017 Date of financial transaction must be later than December 31, 1997	<p>Error Code 7017 is generated on RT 400 with a transaction date that is prior to 1998. The CESP was announced in the February 1998 Budget and only maintains records of RESP activity that occurred on or after January 1, 1998.</p> <p>RESOLUTION: The transaction date must be after December 31, 1997. The promoter must correct and resubmit.</p>
7018 Date is earlier than original transaction date	<p>Error Code 7018 is generated when the transaction date of an RT 400 reversal is prior to the date of the original transaction. The transaction date must be on or after the original transaction date if the reversal flag = 2.</p> <p>RESOLUTION: The promoter will ensure that the date of the transaction they intend to reverse is on or after the transaction date of the original transaction.</p>
7020 Error in original transaction, current transaction cannot be processed	<p>Error Code 7020 is generated when the promoter attempts to submit reversals for financial transactions that were not processed successfully by the CESP system. The RT 400 'Original Promoter Trans ID' field being referenced in the RT 400 reversal was not processed successfully.</p> <p>RESOLUTION: The promoter will verify that the original promoter transaction ID has been processed by the CESP System prior to submitting a reversal for that transaction.</p>

ERROR CODE	EXPLANATION
<p>7021</p> <p>Original transaction and its reversal were found in the same processing period – no processing performed</p>	<p>Error Code 7021 is generated when a reversal and its' original transaction are submitted in the same processing period. The Program supports corrections to RT 400-Financial Transactions by submitting a transaction to reverse the original transaction and resubmitting another transaction with the corrected information. The reversal transaction indicates that the transaction and amounts reported did not actually occur as reported. A reversal transaction must always include the Promoter BN and transaction ID from the original RT 400 transaction that is to be reversed. If the original transaction and the reversal are submitted in the same processing period, both will be rejected and no processing will occur.</p> <p>RESOLUTION: Since no processing occurs when this error is generated, promoters need only to submit a transaction with the correct information in the following production run.</p>
<p>7022</p> <p>Unable to locate the original transaction</p>	<p>Error Code 7022 is generated when the original transaction ID being referenced in a reversal cannot be matched or found in the CESP System. This occurrence is commonly due to an original transaction never having been submitted or having been rejected.</p> <p>The CESP system supports corrections to RT 400-Financial Transactions by submitting a transaction to reverse the original transaction and then resubmitting another transaction with the corrected information. A reversal indicates that the transaction and amounts reported did not actually occur as reported. A reversal transaction must always include the Promoter BN and transaction ID from the original RT 400 transaction that is to be reversed.</p> <p>RESOLUTION: The promoter will verify the Original Transaction ID and Original Promoter BN being referenced in the reversal to ensure the original transaction was submitted and processed successfully.</p>
<p>7023</p> <p>The status of the original transaction is invalid</p>	<p>Error Code 7023 is generated when the original transaction ID being referenced is not in "Processed" status. For a reversal to be processed, the original transaction must have a 'Processed' status in the CESP system. If the original transaction has already been reversed, the subsequent reversal will raise error code 7023. The CESP system supports corrections to RT 400-Financial Transactions by submitting a transaction to reverse the original transaction and then resubmitting the corrected information. A reversal indicates that the transaction and amounts reported did not actually occur as reported. A reversal transaction must always reference the original RT 400 transaction being reversed by referencing the Promoter BN and transaction ID that appears on the original transaction.</p> <p>RESOLUTION: The promoter will confirm the status of the original transaction that they intend to reverse before submitting a transaction reversal.</p>

ERROR CODE	EXPLANATION
7030 Sender not authorized to send data for the specimen plan	<p>Error Code 7030 is generated when a Sender BN specified in the header record is not authorized to send data pertaining to that specimen plan ID. The specimen plan ID is a numeric identifier assigned to the promoter by CRA.</p> <p>RESOLUTION: To become authorized, the Sender/Promoter must meet the requirements of a qualification process and be added to the CESP system. The Sender must then pass industry testing with an overall success rate of 90 per cent or greater before submitting files for processing. If a service provider is sending files on behalf of multiple promoters, each one of those promoters must pass industry testing with their own data.</p>
7031 Beneficiary is not associated with the specimen plan	<p>Error Code 7031 is generated when the CESP system is unable to process an RT 400, RT 410 or RT 511 because the beneficiary has not been associated with the specimen plan identified in the Specimen Plan ID field of the transaction. The beneficiary would not be associated with the specimen for any of the following reasons:</p> <ol style="list-style-type: none"> 1. The RT 200-03 Beneficiary Information transaction was never submitted; 2. The RT 200-03 Beneficiary Information transaction was submitted but was rejected for an error 3. The RT 200-03 Beneficiary Information was submitted and processed, but the Specimen Plan ID given in the RT 400 does not correspond with the Specimen Plan ID in the RT 200-03. <p>RESOLUTION: <i>If you have not submitted an RT 200-Beneficiary Information</i></p> <p>(1) Please submit an RT 200-03 in the following production run. The financials can be submitted in the same month for processing.</p> <p><i>If you have submitted an RT 200-03 Beneficiary Information transaction</i></p> <p>(2) Check the error reports returned by the CESP system to verify why the RT 200-03 did not process successfully. The error report will provide the error that was generated on the RT 200-03, as well as the field that was in error. This error should be corrected and the RT 200-03 resubmitted. The financials can then be submitted for processing.</p> <p>(3) Check the processing reports returned by the CESP system to verify the Specimen Plan ID given in the RT 200-03 Beneficiary Information transaction. Ensure that this Specimen Plan ID corresponds with the Specimen Plan ID submitted in the RT 400.</p>
7032 Beneficiary is not associated to a CLB account	<p>Error code 7032 is generated on RT 400 in relation to Transaction Type 13, 19, 21, 22, and 23. A request for CLB amount or CLB EAP amount is made and the Beneficiary does not have a CLB account.</p> <p>RESOLUTION: The Beneficiary must have a CLB account. The promoter must correct and resubmit.</p>

ERROR CODE	EXPLANATION
7033 The SIN or BN is not numerically valid	<p>Error Code 7033 occurs when the SIN or BN is not numerically valid. A mathematical formula is used by ESDC to determine the validity of the composition of a SIN before the beneficiary's information is sent to SIR.</p> <p>RESOLUTION: Resubmit transaction with an accurate SIN or BN.</p>
7034 Transaction date must be on or after January 1, 2004	<p>Error Code 7034 is generated when the Transaction Date is before January 1, 2004 and the Transaction Type is 24 or;</p> <ul style="list-style-type: none"> • The Transaction Date is before January 1, 2004 if Transaction Type is 19, 21, 22 or 23 and CLB Amount is greater than zero. • The Transaction Date is before January 1, 2004 if Transaction Type is 13 and CLB EAP Amount is greater than zero. <p>RESOLUTION: The transaction date must be on or after January 1, 2004. The promoter must correct and resubmit.</p>
7035 Transaction date must be on or after January 1, 2005	<p>Error Code 7035 is generated when the Transaction Date is before January 1, 2005 and the Transaction Type is 25 or;</p> <ul style="list-style-type: none"> • The Transaction Type is 19, 21, 22 or 23 and Alberta Grant Amount is greater than zero; • The Transaction Type is 13 and Alberta Grant EAP Amount is greater than zero. <p>RESOLUTION: The transaction date must be on or after January 1, 2005. The promoter must correct and resubmit.</p>
7036 Must be zero or blank if transaction Type 21 and repayment reason is 1	<p>Error Code 7036 is generated when the CLB Amount is not zero or blank and the Transaction Type is 21 and the repayment reason = 1; or when the Alberta Grant Amount is not zero or blank and the Transaction Type is 21 and the repayment reason = 1.</p> <p>RESOLUTION: The CLB amount or the Alberta Grant amount must be zero or blank when transaction type is 21 and repayment reason is 1. The promoter must correct and resubmit.</p>
7037 Date of birth is prior to January 1, 2004	<p>Error Code 7037</p> <p>CLB incentives only began being offered in January 2004. Beneficiary date of birth must be on or after January 1, 2004 in order to be eligible for CLB.</p> <p>RESOLUTION: The transaction date must be on or after January 1, 2004. The promoter must correct and resubmit.</p>

ERROR CODE	EXPLANATION
<p>7039</p> <p>Transaction date is earlier than contribution transaction date</p>	<p>Error code 7039 is generated when the transaction date used in the RT 511-12 must be equal to or greater than the transaction date used in the original RT 400-11 transaction.</p> <p>Note: If the RT 511-12 is an update, the transaction date should be later than the transaction date used in the previously submitted 511-12.</p> <p>RESOLUTION: The RT 511-12 transaction date must be equal or later than the original RT 400-11 transaction date. The promoter must correct and resubmit.</p>
<p>7040</p> <p>Transaction date must be on or after January 1, 2013</p>	<p>Error Code 7040 is generated when the date of the SAGES request transaction is before January 1, 2013.</p> <p>RESOLUTION: The transaction date must be on or after January 1, 2013. Correct and resubmit the transaction if required.</p>



Important notice: This document is revised regularly. Visit the following address for the latest version:
http://www.esdc.gc.ca/eng/jobs/student/promoters/user_guide/index.shtml

CESP – RESP Provider User Guide

APPENDIX

F

Understanding Refusal Reasons

The Canada Education Savings Program (CESP) within Employment and Social Development Canada (ESDC), is responsible for administering the following education savings incentives available to eligible beneficiaries of Registered Education Savings Plans (RESPs):

- Canada Education Savings Grant (Basic CESG)
- Additional Canada Education Savings Grant (Additional CESG)
- Canada Learning Bond (CLB)
- Alberta Centennial Education Savings Plan Grants (Alberta Grants)
- Saskatchewan Advantage Grant for Education Savings (SAGES)

This appendix explains the Refusal Reasons (RR) received in response to financial requests for these education savings incentives. See **Appendix C** for a list of acronyms and terms used in this guide.

In this appendix

Background Information	3
RR 1 - Annual limit exceeded	4
RR 2 - Lifetime contribution limit exceeded	5
RR 3 - Age of Beneficiary	6
RR 4 - PCG or Beneficiary information not matched with CRA info	7
RR 5 - Specimen Plan not eligible	8
RR 6 - Transaction requested no grant	9
RR 7 - Failed 16/17 year rule	10
RR 8 - CLB will not be paid for this benefit year	11
RR 9 - Other	11
RR A - Specimen Plan not approved for CLB	12
RR B - Invalid Beneficiary	12
RR C - Request not designated to attract CLB for the Beneficiary	13
RR D - Late transaction	13
RR E - Lifetime limit exceeded	14
RR F - Anti-churning rule violation	15
RR G - Contribution transaction date earlier than January 1, 2005	15
RR H - PCG information is missing	16
RR I - The PCG SIN is not numerically valid	16
RR J - Contract is not an individual/sibling only contract	16
RR K - \$100 contribution not met	17
RR L - PCG SIN or Agency BN not matched by CRA	17
RR M - PCG custody not confirmed by CRA	18
RR N - SIN has been flagged by SIR	19
RR O - Late SAGES Request	20

1. Background Information

This appendix provides information to assist RESP providers understand Refusal Reasons. For Additional technical information, consult the Interface Transaction Standards (ITS):

<http://www.esdc.gc.ca/eng/jobs/student/promoters/index.shtml#tab3>

1.1 What is a Refusal Reason?

Refusal Reasons indicate why transactions requesting grant or bond, which met all formatting rules, did not receive full grant or bond payment. Each Refusal Reason has a corresponding single-character code.

1.2 How are Refusal Reasons Reported to Promoters?

The CESP system reports Refusal Reasons in the following two locations of the record types (RT) 900 & 910:

1. Transaction position 67 for Basic CESP, CLB, and Alberta Grants
2. Transaction position 174 for Additional CESP transactions
3. Transaction position 45 for SAGES transactions

1.3 How does a Refusal Reason differ from an Error Code?

If the CESP system cannot process an RESP transaction sent by a promoter, due to an error in the transaction information, the CESP system will reject the transaction. In these cases, the promoter will receive a corresponding RT 800 transaction with an Error Code indicating why the CESP system did not process the transaction. Promoters must investigate Error Codes and resubmit new transactions with the corrected information

Transactions successfully processed by the CESP system will not generate Error Codes. However, a processed transaction will receive a Refusal Reason in the RT 900 or RT 910 transactions if the CESP does not pay the full amount of grant or bond for a transaction.

1.4 Using this appendix

Each incentive has its own set of Refusal Reasons. This appendix lists the following information for each incentive:

- Refusal Reason Code
- ITS description for each Refusal Reason
- A detailed explanation for each Refusal Reason
- How to resolve or better understand what caused the refusal

Contact the CESP if the information provided in this appendix does not answer your questions about specific refusal reasons.

1.5 Transaction Records

The following transaction records are referenced in this appendix for each incentive:

- **Refusal Reasons:** Recorded in the RT 900 and RT 910 found in the Transaction Processing Report (.PRO) returned to the promoter at the end of each reporting period.
- **Basic CESG:** *Canada Education Savings Grant* request submitted by promoter through an RT 400-11 transaction record. Refusal Reasons will be recorded in position 67 of the RT 900 in the .PRO file.
- **Additional CESG:** *Additional Canada Education Savings Grant* requests submitted by promoters along with the Basic CESG request through an RT 400-11 transaction. In addition, PCG SIN, Surname, Given Name, and Type information are required to request the Additional CESG. Refusal Reasons are recorded in position 174 of the RT 900 in the .PRO file.
- **CLB:** *Canada Learning Bond* request submitted by promoter through a RT 400-24 transaction record. Refusal Reasons are recorded in position 67 of the RT 900 in the .PRO file.
- **Alberta Grants:** *Alberta Centennial Education Savings Plan Grant* request submitted by promoter through a RT 400-25 transaction record. Refusal Reasons are recorded in position 67 of the RT 900 in the .PRO file.
- **SAGES:** *Saskatchewan Advantage Grant for Education Savings* request submitted by promoter through an RT 410-30 transaction record. Refusal Reasons will be recorded in position 45 of the RT 910 in the .PRO file.

Refusal Reason 1 - Annual limit exceeded

1

Annual limit exceeded

Incentives

- Basic CESC
- Additional CESC
- CLB
- Alberta Grants
- SAGES

Basic CESC

Refusal Reason 1 - The Basic CESC room available to the beneficiary has been paid out for the calendar year that the contribution falls into.

Resolution: None required as each beneficiary is entitled to \$500 of Basic CESC annually (\$1,000 if there was carry forward) and they have received the maximum amount of Basic CESC for the year.

Additional CESC

Refusal Reason 1 - A contribution requesting Additional CESC is refused for one of the following reasons:

- The PCG reported on the contribution has a high income level as per the Canada Revenue Agency (CRA) therefore no Additional CESC can be paid to the beneficiary.
- The PCG reported on the contribution has either a mid (10%) or low range (20%) income level and the beneficiary has received all the Additional CESC for that year based on the income level.

Resolution: None required as the beneficiary has received all the Additional CESC to which they are entitled for the year.

CLB

Refusal Reason 1 - The beneficiary has already received the CLB payment for the benefit year.

Resolution: None required as the beneficiary has already received their CLB payment for the benefit year the request falls into.

Alberta Grants

Refusal Reason 1 - The Alberta Grant has already been paid to the beneficiary for the age installment range that the request falls into.

These age installment ranges are as follows:

- 0 – 6 years = \$500
- 8 – 14 years = \$100
- 11 – 17 years = \$100
- 14 – 20 years = \$100

Resolution: None required as the beneficiary has already received the Alberta Grant payment for the age installment range that the Alberta Grant request falls into.

SAGES

Refusal Reason 1 - The maximum SAGES amount, including any carry forward room, has been paid to the beneficiary for the calendar year that the contribution falls into.

Resolution: Each beneficiary is entitled to \$250 of SAGES annually (\$500 if there was carry forward). Should you feel the beneficiary has not received the maximum amount of SAGES for the year, contact CESP.

Refusal Reason 2 - Lifetime contribution limit exceeded

2

Lifetime contribution limit exceeded

Incentives

- Basic CESC
- Additional CESC
- SAGES

Basic CESC

Refusal Reason 2 - The total amount of contributions for a beneficiary has reached or exceeded the \$50,000 contribution limit. Any subsequent contributions made after this limit is reached will be refused grant.

Resolution: The promoter should verify that the total contribution amounts submitted for the beneficiary does not exceed \$50,000 and that no contribution amounts were reported incorrectly. If there is a discrepancy in the contribution amounts, reverse the incorrect contribution and resubmit the correct contribution. If all contribution amounts are correct then contact CESP for more information.

Additional CESC

Refusal Reason 2 - The total amount of contributions for a beneficiary has reached or exceeded the \$50,000 contribution limit or greater. Any subsequent contributions made after this limit is reached will be refused Additional CESC.

Resolution: The promoter should verify that the total contribution amounts submitted for the beneficiary does not exceed \$50,000 and that no contribution amounts were reported incorrectly. If there is a discrepancy in the contribution amounts, reverse the incorrect contribution and resubmit the correct contribution. If all contribution amounts are correct then contact CESP for more information.

SAGES

Refusal Reason 2 - The total amount of contributions for a beneficiary has reached or exceeded the \$50,000 contribution limit. Any subsequent contributions made after this limit is reached will be refused SAGES.

Resolution: The promoter should verify that the total contribution amounts submitted for the beneficiary do not exceed \$50,000 and that no contribution amounts were reported incorrectly. If there is a discrepancy in the contribution amounts, reverse the incorrect contribution (RT 400-11) and resubmit the correct contribution (RT 400-11). If all contribution amounts are correct then contact CESP for more information.

Refusal Reason 3 - Age of Beneficiary

3

Age of Beneficiary

Incentives

- Basic CESP
- Additional CESP
- CLB
- Alberta Grants
- SAGES

If there is a discrepancy in the age/birth date of the beneficiary generating this Refusal Reason, contact CESP.

Basic CESP

Refusal Reason 3 - The transaction date of the contribution is later than December 31st in the year that the beneficiary turned 17.

Resolution: None required as the beneficiary is only entitled to receive grant up until the end of the year in which they turn 17.

Additional CESP

Refusal Reason 3 - The transaction date of the contribution is later than December 31st in the year that the beneficiary turned 17.

Resolution: None required as the beneficiary is only entitled to receive grant up until the end of the year in which they turn 17.

CLB

Refusal Reason 3 - An active CLB request is being assessed for a payment for a new benefit year and the beneficiary's birth date has been updated to a date before January 1, 2004

Resolution: Contact the subscriber to verify the beneficiary's birth date.

Alberta Grants

Refusal Reason 3 - The transaction date of the request when compared to the beneficiary's birth date does not fall into any of the following age ranges:

- 0 – 6 years
- 8 – 14 years
- 11 – 17 years
- 14 – 20 years

Resolution: Verify the transaction date of the Alberta Grant request and what Alberta Grant age range the request was for.

SAGES

Refusal Reason 3 - The transaction date of the contribution is later than December 31st in the year that the beneficiary turned 17.

Resolution: Verify the age of the beneficiary otherwise no action is required if the contribution is after the end of the year in which they turned 17.

Refusal Reason 4 - PCG or Beneficiary information not matched with CRA info

4

PCG or Beneficiary information not matched with CRA info

Incentives

- Additional CESC
- CLB

Additional CESC

Refusal Reason 4 - The PCG and/or beneficiary information submitted is not matched with the corresponding information at CRA on the contribution requesting Additional CESC.

Note: The following fields are sent to CRA for matching: PCG SIN, PCG given name, PCG surname, beneficiary given name, beneficiary surname, beneficiary birth date.

Resolution: Contact the subscriber to request that the PCG call CRA to confirm all relevant information is up to date and that it is the same information provided to the promoter. Once the subscriber has confirmed the CRA information is up to date, submit a PCG information transaction for the financial transaction which was refused using the correct PCG or reverse and resubmit the original transaction if the PCG information transaction has not been implemented by the promoter.

Note: At the end of each month, an excel report showing the fields that did not match with CRA and resulted in this refusal reason is sent to each promoter.

CLB

Refusal Reason 4 - The PCG and/or beneficiary information submitted is not matched with the corresponding information at CRA on the CLB request.

Note: The following fields are sent to CRA for matching: PCG SIN, PCG given name, PCG surname, beneficiary given name, beneficiary surname, beneficiary birth date.

Resolution: Contact the subscriber to request that the PCG call CRA to confirm all relevant information is up to date and that it is the same information provided to the promoter. Once the subscriber has confirmed the CRA information is accurate, resubmit the CLB request with the correct PCG information.

Refusal Reason 5 - Specimen Plan not eligible

5

Specimen Plan not eligible

Incentives

- Basic CESC
- Additional CESC
- CLB
- Alberta Grants
- SAGES

Contact CRA to determine the status of your specimen plan or if there are other concerns or discrepancies in the specimen plan eligibility information, contact CESP.

Basic CESC

Refusal Reason 5 - The specimen plan named on the contribution is not eligible to receive grant.

Resolution: Contact CRA to determine the status of this specimen plan.

Additional CESC

Refusal Reason 5 - The specimen plan named on the contribution is not eligible to receive grant.

Resolution: Contact CRA to determine the status of this specimen plan.

CLB

Refusal Reason 5 - An active CLB request is being assessed for a payment and the specimen plan named on the request is no longer eligible to receive CLB.

Resolution: Contact CRA to determine the status of this specimen plan.

Alberta Grants

Refusal Reason 5 - The specimen plan named on the request is not eligible to receive the Alberta Grant.

Resolution: Contact CRA to determine the status of this specimen plan.

SAGES

Refusal Reason 5 - The specimen plan named on the request is not eligible to receive SAGES.

Resolution: Contact CRA to determine the status of specimen plan and resubmit the request if required.

Refusal Reason 6 - Transaction requested no grant

6

Transaction
requested no grant

Incentives

- Basic CESC
- Additional CESC
- CLB

If there are any concerns or discrepancies in the information submitted, contact CESP.

Basic CESC

Refusal Reason 6 - The grant requested flag is set to “No” for a contribution.

Resolution: Verify if grant was supposed to be requested. If yes, reverse the contribution and resubmit the contribution with the grant requested flag set to “Yes”.

Additional CESC

Refusal Reason 6 - The four PCG information fields are not provided for a contribution requesting Additional CESC.

Resolution: Verify if Additional CESC was supposed to be requested on the contribution. If yes, either add the missing PCG information on a PCG information transaction or reverse and resubmit the contribution transaction with the missing PCG information.

CLB

Refusal Reason 6 - The grant requested flag is set to “No” which is considered a stop CLB request.

Resolution: Confirm that this request was supposed to stop CLB. If not, re-submit the CLB request with the grant requested flag set to “Yes”.

Refusal Reason 7 - Failed 16/17 year rule

7

Failed 16/17 year rule

Incentives

- Basic CESP
- Additional CESP
- SAGES

If there is any discrepancy in the contributions by the client, contact CESP.

Basic CESP

Refusal Reason 7 - A contribution falls into a year in which the beneficiary turns 16 or 17 and the beneficiary does not meet the conditions for the 16/17 rule as per the CESP system. These conditions are:

- contributions totaling \$100 in four different years
- or
- a total of \$2,000 in lifetime contributions up to and including the beneficiary's 15th year.

Resolution: Contact the subscriber to determine if the beneficiary does in fact meet the 16/17 rule based on contributions made into the RESP prior to 1998. If the subscriber attests to these pre 1998 contributions then submit a proof of eligibility report to the CESP in order to have the 16/17 rule waived.

Instructions for the proof of eligibility report can be found in the following bulletin:

CESP Information Bulletin CESP-2006-010 sent on June 20, 2006

Additional CESP

Refusal Reason 7 - A contribution falls into a year in which the beneficiary turns 16 or 17 and the beneficiary does not meet the conditions for the 16/17 rule as per the CESP system. These conditions are:

- contributions totaling \$100 in four different years
- or
- a total of \$2,000 in lifetime contributions made up to and including the beneficiary's 15th year.

Resolution: Contact the subscriber to determine if the beneficiary does in fact meet the 16/17 rule based on contributions made into the RESP prior to 1998. If the subscriber attests to these pre 1998 contributions, submit a proof of eligibility report to the CESP in order to have the 16/17 rule waived.

Instructions for the proof of eligibility report can be found in the following bulletin:

CESP Information Bulletin CESP-2006-010 sent on June 20, 2006

SAGES

Refusal Reason 7 - A contribution falls into a year in which the beneficiary turns 16 or 17 and the beneficiary does not meet the conditions for the 16/17 rule as per the CESP system. These conditions are:

- contributions totaling \$100 in four different years
- or
- a total of \$2,000 in lifetime contributions up to and including the beneficiary's 15th year.

Resolution: Contact the subscriber to determine if the beneficiary does in fact meet the 16/17 rule based on contributions made into the RESP prior to 1998. If the subscriber attests to these pre 1998 contributions then submit a proof of eligibility report to the CESP in order to have the 16/17 rule waived.

Instructions for the proof of eligibility report can be found in the following bulletin:

CESP Information Bulletin CESP-2006-010 sent on June 20, 2006

Refusal Reason 8 - CLB will not be paid for this benefit year

8

CLB will not be paid for this benefit year

- Incentive
- CLB

If there are any discrepancies in the income levels reported for the year, resulting in this Refusal Reason, contact CESP.

CLB

Refusal Reason 8 - The beneficiary is not eligible for a CLB payment for the benefit year for which the request was made.

Resolution: Contact the subscriber to advise that CLB will not be paid for that benefit year because the beneficiary is not in care of a PCG receiving the National Child Benefit Supplement (NCBS). The PCG should contact CRA at 1-800-387-1193 (English) or 1-800-387-1194 (French) for further information if required. If updated NCBS information is received from CRA for that benefit year, then the CLB will automatically be paid.

Refusal Reason 9 – Other

9

Other

- Incentives
- Basic CESG
 - Additional CESG
 - SAGES

Basic CESG

Refusal Reason 9 - The contribution amount is below the minimum amount of \$0.03, which is required to attract grant.

Resolution: None required as contributions must be greater than \$0.02 in order to attract grant.

Additional CESG

Refusal Reason 09 - The contribution amount is below the minimum amount of \$0.03, which is required to attract grant.

Resolution: None required as contributions must be greater than \$0.02 in order to attract grant.

SAGES

Refusal Reason 9 - The contribution amount is below the minimum amount of \$0.05, which is required to attract grant.

Resolution: None required as contributions must be greater than \$0.04 in order to attract grant.

Refusal Reason A - Specimen Plan not approved for CLB

A

Specimen Plan not approved for CLB

Incentive
• CLB

CLB

Refusal Reason A - An active CLB request is being assessed for a new benefit year and the specimen plan submitted on the CLB request is no longer approved for CLB in the CESP system.

Resolution: This refusal reason is assigned when a CLB installment for a new benefit year is being assessed. The specimen plan reported on the CLB request is no longer approved for CLB and the promoter should contact the CESP to confirm.

Refusal Reason B - Invalid Beneficiary

B

Invalid Beneficiary

Incentives
• Basic CESC
• Additional CESC
• CLB
• Alberta Grants

Basic CESC

Refusal Reason B - The beneficiary's SIN reported on the contribution has become invalid in the CESP database because it is linked to another SIN.

Resolution: Contact the subscriber and determine if the beneficiary has been issued a new SIN. If a new SIN has been issued, submit a beneficiary information transaction record to ensure the beneficiary's new SIN has been associated to the specimen plan. The contribution must then be reversed and re-submitted using the new valid SIN.

Additional CESC

Refusal Reason B - The beneficiary's SIN reported on the contribution has become invalid in the CESP database because it is linked to another SIN.

Resolution: Contact the subscriber and determine if the beneficiary has been issued a new SIN. If a new SIN has been issued, submit a beneficiary information transaction record to ensure the beneficiary's new SIN has been associated to the specimen plan. The contribution must then be reversed and re-submitted using the new valid SIN.

CLB

Refusal Reason B - The beneficiary's SIN reported on the CLB request has become invalid in the CESP database because it is linked to another SIN.

Resolution: Contact the subscriber and determine if the beneficiary has been issued a new SIN. If a new SIN has been issued, submit a beneficiary information transaction record to ensure the beneficiary's new SIN has been associated to the specimen plan. A new CLB request with the new SIN must also be submitted in order to continue receiving the CLB.

Alberta Grants

Refusal Reason B - The beneficiary's SIN reported on the Alberta Grant request has become invalid in the CESP database because it is linked to another SIN.

Resolution: Contact the subscriber and determine if the beneficiary has been issued a new SIN. If a new SIN has been issued, submit a beneficiary information transaction record to ensure the beneficiary's new SIN has been associated to the specimen plan. A new Alberta Grant request with the new SIN must also be submitted

Refusal Reason C - Request not designated to attract CLB for the Beneficiary

C

Request not designated to attract CLB for the Beneficiary

Incentive
• CLB

CLB

Refusal Reason C - CLB request is no longer active in the CESP system.

Resolution: Submit a new CLB request to restart the CLB payments. Restarting the CLB payments will also depend upon satisfying other business rules such as income levels, age of beneficiary etc.

Refusal Reason D - Late transaction

D

Late transaction

Incentives
• Basic CESH
• Additional CESH
• CLB
• Alberta Grants
• SAGES

If unable to submit within this deadline due to exceptional circumstances, contact CESP.

Basic CESH

Refusal Reason D - The transaction date of the contribution transaction requesting Basic CESH is more than 3 years before the date in the Header Record (001) of the submitted transaction file.

Resolution: None

Explanation: The promoter must successfully process Basic CESH requests with the CESP system within 3 years. Transactions that are submitted after 3 years will be processed but grant requests will be refused.

Additional CESH

Refusal Reason D - The transaction date of the contribution transaction requesting Additional CESH is more than 3 years before the date in the Header Record (001) of the submitted transaction file.

Resolution: None

Explanation: The promoter must successfully process Additional CESH requests with the CESP system within 3 years. Transactions that are submitted after 3 years will be processed but grant requests will be refused.

SAGES

Refusal Reason D - The transaction date of the SAGES request is more than 3 years before the date in the Header Record (001) of the submitted transaction file.

Resolution: None

Explanation: The promoter must successfully process SAGES requests with the CESP system within 3 years. Transactions that are submitted after 3 years will be processed but grant requests will be refused.

CLB

Refusal Reason D - The transaction date of the CLB request transaction is more than 3 years from the date in the Header Record (001) of the submitted transaction file.

Resolution: The promoter must submit another CLB request for the beneficiary using a transaction date that is within 3 years of the file submission date.

Explanation: The promoter must successfully process CLB requests with the CESP system within 3 years. Transaction requests submitted after 3 years will be processed but requests for bond will be refused.

Alberta Grants

Refusal Reason D - The transaction date of the Alberta Grant request is more than 3 years before the date in the Header Record (001) of the submitted transaction file.

Resolution: The promoter must submit another Alberta Grant request for the beneficiary using a transaction date that is within 3 years of the file submission date.

Explanation: The promoter must successfully process Alberta Grant requests with the CESP system within 3 years. Transaction requests submitted after 3 years will be processed but requests for Alberta Grants will be refused.

Refusal Reason E - Lifetime limit exceeded

E

Lifetime limit exceeded

Incentives

- Basic CESP
- Additional CESP
- CLB
- Alberta Grants
- SAGES

Basic CESP

Refusal Reason E - The beneficiary has received the maximum lifetime allowable amount of CESP (Basic and Additional combined) of \$7,200.

Resolution: None required as the beneficiary has received all grant they are entitled to receive.

Additional CESP

Refusal Reason E - The beneficiary has received the maximum lifetime allowable amount of CESP (Basic and Additional combined) of \$7,200.

Resolution: None required as the beneficiary has received all grant they are entitled to receive.

CLB

Refusal Reason E - The beneficiary has received the maximum lifetime allowable CLB based on the number of benefit years they were entitled to, up to a maximum of \$2,000.

Resolution: None required as the beneficiary has received all CLB payments they are entitled to receive.

Alberta Grants

Refusal Reason E - The beneficiary has received the maximum lifetime allowable Alberta Grants up to a maximum of \$800.

Resolution: None required as the beneficiary has received all Alberta Grant payments they are entitled to receive.

SAGES

Refusal Reason E - The beneficiary has received the maximum lifetime allowable amount of \$4,500.

Resolution: None required as the beneficiary has received all grant they are entitled to receive.

Refusal Reason F - Anti-churning rule violation

F

Anti-churning rule violation

Incentive

- Additional CESC

Additional CESC

Refusal Reason F - The beneficiary named on the contribution requesting Additional CESC has been tainted. A beneficiary becomes tainted when a grant repayment for a contract the beneficiary is associated to, is submitted with a transaction date on or after March 22, 2004, with a repayment reason of contribution withdrawal and a grant amount is greater than zero.

Resolution: Contact the subscriber to determine if they have previously withdrawn contributions from an RESP which may have caused the beneficiary to become tainted.

Refusal Reason G - Contribution transaction date earlier than January 1, 2005

G

Contribution transaction date earlier than January 1, 2005

Incentive

- Additional CESC

Additional CESC

Refusal Reason G - A contribution requesting Additional CESC has a transaction date that is earlier than January 1, 2005.

Resolution: Additional CESC is only paid on contribution transactions dated on or after January 1, 2005. If a mistake was made regarding the transaction date of the contribution, reverse the previous contribution and resubmit the new contribution with the correct transaction date.

Refusal Reason H - PCG information is missing

H

PCG information is missing

Incentive

- Additional CESC

Additional CESC

Refusal Reason H - One or more of the following fields do not contain information: PCG SIN, PCG surname, PCG given name and PCG type.

Resolution: The PCG SIN, given name, surname, and type are required to receive the Additional CESC. If any of this information was not provided, use an update PCG information transaction to add the missing information or reverse the contribution and re-submit with the missing information.

Refusal Reason I – The PCG SIN is not numerically valid

I

The PCG SIN is not numerically valid

Incentive

- Additional CESC

Additional CESC

Refusal Reason I - The PCG SIN is not numerically valid. A mathematical formula is used by ESDC to determine the validity of the composition of a SIN.

Resolution: Verify that the PCG SIN is 9 digits in length and if required, contact the subscriber to advise that the PCG SIN provided is not correct. If a new PCG SIN is provided then use either an update PCG information transaction to change the information or reverse the contribution and resubmit with the new information.

Refusal Reason J - Contract is not an individual/sibling only contract

J

Contract is not an individual/sibling only contract

Incentives

- Additional CESC

If there are any errors in the designation of the contract, contact CESP.

Note: Requests for CLB (RT 400-24), Alberta Grants (RT 400-25) or SAGES (RT 410-30) will be rejected with an Error Code 1010, if the contract reported on these transactions does not have the individual/sibling only flag set to "Yes".

Additional CESC

Refusal Reason J - The contract is not designated as an individual/sibling only contract.

Resolution: To receive Additional CESC, the contract reported on the contribution transaction must have the individual/sibling only flag set to "Yes" in the CESP system. To set this flag to Yes, submit a contract information transaction with the individual/sibling only flag set to "Yes". Then reverse and resubmit the previously refused contribution transaction to receive the Additional CESC.

Refusal Reason K - \$100 contribution not met

K

\$100 contribution not met

Incentive

- Alberta Grants

Alberta Grants

Refusal Reason K - The Alberta Grant request does not have at least \$100 in contributions in the year prior to the transaction date of the request.

Resolution: Contact the Subscriber to notify them that the \$100 in contributions has not been met and they must make the required contribution in order to receive the Alberta Grant. Once this has been done, a new Alberta Grant request must be submitted.

Refusal Reason L - PCG SIN or Agency BN not matched by CRA

L

PCG SIN or Agency BN not matched by CRA

Incentives

- Additional CESC
- CLB

If there are any concerns or discrepancies in the information, contact CESP.

Additional CESC

Refusal Reason L - CRA is unable to find the PCG SIN or Agency BN information provided on the contribution transaction requesting Additional CESC.

Resolution: Contact the subscriber to notify them that the PCG's SIN or Agency's BN reported on the contribution transaction does not match the information on file with CRA. Confirm the correct PCG information with the subscriber and use either an update PCG information transaction to change the PCG information or reverse the contribution transaction and then re-submit with new PCG information.

CLB

Refusal Reason L - CRA is unable to find the PCG SIN or Agency BN reported on the CLB request.

Resolution: Contact the subscriber to notify them that the PCG's SIN or Agency's BN reported on the CLB request does not match any PCG SINs or Agency BNs on file with CRA. If a correct PCG is obtained, submit a new CLB request.

Refusal Reason M - PCG custody not confirmed by CRA**M**

PCG custody not confirmed by CRA

Incentives

- Additional CESH
- CLB

If there are any other concerns or discrepancies in the information, contact CESP.

Additional CESH

Refusal Reason M - The PCG reported on the contribution requesting Additional CESH is not the designated PCG for the beneficiary during the month and year of the transaction date, according to CRA.

Resolution: Contact the subscriber to notify them that according CRA, the PCG reported on the contribution does not have custody of the beneficiary in the year and month the contribution transaction falls. The PCG should then contact CRA to verify the information they have on record. If new PCG information is provided, use either an update PCG information transaction to change the PCG information or reverse the contribution transaction and re-submit with new PCG information.

CLB

Refusal Reason M - The PCG reported on the CLB request is not the designated PCG for the beneficiary for all months from the transaction date of the CLB request to the end of the CLB benefit year it falls into.

Resolution: Contact the subscriber to notify them that according to CRA, the PCG reported on the CLB request does not have custody of the beneficiary required for payment. The PCG should then contact CRA to verify the information they have on record. If required, resubmit the CLB request or if new PCG information is provided, then submit a new CLB request.

Refusal Reason N - SIN has been flagged by SIR

N

SIN has been flagged by SIR

Incentives

- Basic CESC
- Additional CESC
- CLB
- Alberta Grants
- SAGES

If there are any other concerns or discrepancies in the information, contact CESP.

Basic CESC

Refusal Reason N - The SIN reported on the contribution requesting CESC has been flagged as “not useable” by the Social Insurance Registry (SIR).

Resolution: Contact the subscriber and verify the status of the beneficiary’s SIN. If the SIN has been cancelled and a new SIN has been issued, submit a beneficiary information transaction record to ensure the beneficiary’s new SIN has been associated to the specimen plan. Once this has been completed, reverse the previous contribution transaction and re-submit the contribution using the new SIN.

Additional CESC

Refusal Reason N - The SIN reported on the contribution requesting Additional CESC has been flagged as “not useable” by the Social Insurance Registry (SIR).

Resolution: Contact the subscriber and verify the status of the beneficiary’s SIN. If the SIN has been cancelled and a new SIN has been issued, submit a beneficiary information transaction record to ensure the beneficiary’s new SIN has been associated to the specimen plan. Once this has been completed, reverse the previous contribution transaction and re-submit the contribution using the new SIN.

CLB

Refusal Reason N - The SIN reported on the CLB request has been flagged as “not useable” by the Social Insurance Registry (SIR).

Resolution: Contact the subscriber and verify the status of the beneficiary’s SIN. If the SIN has been cancelled and a new SIN has been issued, submit a beneficiary information transaction record to ensure the beneficiary’s new SIN has been associated to the specimen plan. Once this has been completed, submit a new CLB request.

Alberta Grants

Refusal Reason N - The SIN reported on the Alberta Grant request has been flagged as “not useable” by the Social Insurance Registry (SIR).

Resolution: Contact the subscriber and verify the status of the beneficiary’s SIN. If the SIN has been cancelled and a new SIN has been issued, submit a beneficiary information transaction record to ensure the beneficiary’s new SIN has been associated to the specimen plan. Once this has been completed, submit a new Alberta Grant request

SAGES

Refusal Reason N - The SIN reported on the contribution requesting SAGES has been flagged as “not useable” by the Social Insurance Registry (SIR).

Resolution: Contact the subscriber and verify the status of the beneficiary’s SIN. If the SIN has been cancelled and a new SIN has been issued, submit a beneficiary information transaction record to ensure the beneficiary’s new SIN has been associated to the specimen plan. Once this has been completed, reverse the previous contribution transaction and re-submit the contribution using the new SIN and resubmit a new SAGES request transaction for this contribution.

Refusal Reason O - Late SAGES Request

O

Late SAGES
Request

Incentives

- SAGES

SAGES

Refusal Reason O -The transaction date of the SAGES request compared to the contribution transaction date is greater than 3 years.

Explanation: The subscriber must request SAGES within 3 years after making a contribution. The transaction date of a SAGES request is the most recent of the SAGES application form date or the contribution transaction date for which SAGES is being requested. A SAGES request with a transaction date that is more than 3 years after the corresponding contribution date will be processed but will be refused.

Resolution: Contact CESP if you are unable to comply with this rule due to exceptional circumstances.