Canadian Registered Pension Plans Impacted By Recently Amended Income Tax Regulations



Regulations Amending the Income Tax Regulations (Technical Amendments) (Regulations) were published in the *Canada Gazette*, Part II on December 4, 2024. Draft versions of the Regulations had previously been released on August 9, 2022, and August 4, 2023.

Among implementing other changes, the Regulations will impact registered pension plans and employee stock options with changes that:

- Amend the tax rules for determining pension adjustments in response to changes to the Canada Pension Plan and the Old Age Security program
- Permit registered pension plans to credit newer employees with pensionable service during periods of reduced pay by lowering the minimum employment requirement from 36 months to three months
- Add provincially prescribed reductions in pension benefits to the list of exemptions to the general rule of equal annuity payments
- Permit registered charities and non-profit organizations to be participating employers in specified multi-employer plans, provided they employ fewer than 100 full-time employees
- Permit employers to add non-unionized members to a specified multi-employer plan
- Align registered pension plan tax rules with provincial pension rules, including those related to past service pension adjustment calculations when an individual transfers their benefit entitlement from an underfunded pension plan, and make minor adjustments to the variable payment life annuity (VPLA) tax rules to align with the VPLA rules that will be introduced in provincial legislation
- Amend, for the purposes of determining pensionable service during a parental leave, the definition of “eligible period of parenting” in the Regulations to extend the period from 12 months to 18 months from the birth or adoption of the child to align with recent changes to the*Employment Insurance Act*
- Preserve prescribed share status for purposes of the employee stock option deduction in connection with certain share conversions and exchanges

The coming-into-force dates of the Regulations are generally retroactive to the date of the applicable announcement (e.g., August 9, 2022, or August 4, 2023) or to an earlier date to provide appropriate relief in the circumstance.

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