

Pension income splitting – quick reference guide

Pension income splitting is an attractive strategy that notionally transfers pension income between spouses or common-law partners. As a result, the overall household tax burden is reduced. Couples can transfer up to 50% of eligible pension income when you file your tax return. The chart below shows common sources of retirement income and whether it is eligible for income splitting. Under Quebec regulations, you must be 65 or older on December 31 to split income on your provincial tax return. Federally, and in all other provinces and territories, you can split certain incomes both before and after age 65. The spouse or common-law partner receiving the split income can be any age.

Source of income	Under 65 (other than Quebec)	Age 65 and over on December 31 of the tax year	Not eligible for income splitting
Life annuity payments from a registered pension plan (RPP), including: <ul style="list-style-type: none"> Defined benefit pension plan (and bridge benefits subject to conditions) Individual Pension Plan (limited to lifetime retirement annuity benefits) Saskatchewan Pension Plan Survivor pension from the above 	✓	✓	
If received as a result of the death of your spouse or common law partner: <ul style="list-style-type: none"> Payments from a registered retirement income fund (RRIF); or Annuity payments from a registered retirement savings plan (RRSP) or deferred profit sharing plan (DPSP). 	✓	✓	
Life annuity payments from an RRSP or DPSP. Note: must be in the form of a life annuity.		✓	
Payments from a RRIF, including life income fund (LIF), locked-in retirement income fund (LRIF), or prescribed retirement income fund (PRIF)		✓	
Payments out of a retirement compensation arrangement (RCA) – subject to indexed limits and conditions.		✓	
Interest from a non-registered life annuity or interest from an insurance annuity (e.g. accumulation annuity)		✓	
RRSP withdrawals			✗
Interest from a guaranteed interest contract (GIC)			✗
Old Age Security (OAS), Allowance and Guaranteed Income Supplement (GIS)			✗
Canada Pension Plan (CPP) and Quebec Pension Plan (QPP) Note: Apply to Service Canada (CPP) or Retraite Quebec (QPP) to share retirement pension			✗
Death benefits, retiring allowances or payments from salary deferral arrangements employee benefit plans or employee trusts			✗

Pension income tax credit

Eligible pension income also qualifies for the pension income tax credit for the initial recipient (excluding income from an RCA). This is a 15% federal tax credit on up to \$2,000 of eligible pension income for the year. A similar tax credit is available in all provinces, but the thresholds and rates vary. A recipient of split income must meet the age requirement for that type of income to qualify for the tax credit. Example: if you are 65 and receive RRIF withdrawals, you qualify for the tax credit. However, if your spouse is 62 and you split \$2,000 of RRIF withdrawals, your spouse doesn't qualify for the tax credit. However, if your spouse is 62 and you split \$2,000 of defined benefit pension income, your spouse will qualify for the tax credit. For more information, contact your advisor.

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