INFORMATION NOTICE
CONFLICT OF INTEREST ACT

Tax-Free Savings Accounts

With the introduction of the tax-free savings account (TSFA) for personal investments, many reporting public office holders are asking whether they can invest in a TFSA and still be in compliance with the *Conflict of Interest Act*. The answer is that it depends on what kinds of investments are placed in the TFSA and how they are administered.

A TFSA can hold the same types of investments as a registered retirement savings plan (RRSP). As with an RRSP, a TFSA may be considered either an exempt or a controlled asset under the *Conflict of Interest Act*, depending on the type of investments the account holds. Exempt assets are permissible and do not have to be publicly declared. Controlled assets must be divested either through a sale or a blind trust in accordance with section 27 of the Act.

"Controlled assets" include publicly traded securities, stocks, commodities, futures, and self-administered RRSPs, RESPs or RRIFs composed of at least one asset that would be considered "controlled" if held outside the plan.

"Exempt assets" means assets for the private use of public office holders and their family as well as assets that are not commercial in nature. Examples of this include cash, investments in openended mutual funds, guaranteed investment certificates, Canada Savings Bonds, and RRSPs and RESPs that are not self-administered. (For a more complete list of examples of exempt and controlled assets, see section 20 of the *Conflict of Interest Act*).

TFSAs that are **not self-administered** are exempt under the *Conflict of Interest Act*. These accounts can hold cash deposits or guaranteed investment certificates as well as mutual funds.

Self-administered TFSAs may also be exempt, **but only when** they are exclusively composed of exempt assets as defined in section 20 of the Act.

In sum, reporting public office holders may not purchase any controlled assets for their self-administered TFSAs. Newly-appointed reporting public office holders who have self-administered TFSAs composed of at least one controlled asset will be required to divest the controlled asset. Costs incurred to divest are eligible for reimbursement as provided for under section 31 of the Act.

Reporting public office holders who wish to acquire a self-administered TFSA that includes controlled assets may do so after they are appointed, if they establish a blind trust. However, the costs associated with establishing, administering and dismantling this blind trust would not be eligible for reimbursement. As well, such a blind trust would have to meet the requirements of the Act and be approved by our Office.

For additional information or for confidential advice with respect to your individual situation, please call 613-995-0721 or e-mail ciec-ccie@parl.gc.ca.

Ce document est également disponible en français.
http://ciec-ccie.parl.gc.ca/