

Understanding how management fee rebates are taxed

How you get the discount

Since the full management fee is charged to the fund on a daily basis, how do you get the discount? We do this through a “refund” or “rebate” in the form of additional units or shares of the fund. In the same way that funds calculate the management fee each day, fee rebates are also calculated daily. The rebates are paid back to you on a quarterly basis and reduce the effective fee on your investment.

How management fee rebates are taxed

Just as the deduction of the management fee at the fund level reduces income that would have been payable to you, the rebate increases the amount of income you receive. Canada Revenue Agency considers fee rebates received on holdings in non-registered accounts to be taxable. How rebates are taxed and reported depends on the type of mutual fund investment.

Non-registered account		Registered account
Mutual fund trust	Mutual fund corporation	
Investors in mutual fund trusts must report the rebates as income in the taxation year of payment.	Investors in corporate class funds have the option of:	
	Reporting the rebate as income in the tax year	Using the rebate as a return of capital, which reduces the adjusted cost base (ACB) of their investment
Investors will receive a T3 or Releve 16 (Quebec) with the fee rebate included in the appropriate boxes. Enter the amounts on your tax return.	Enter the rebate amount (see investor’s statement) on Line 130 of the federal tax return and on Line 154, option 15 of the provincial tax return (Quebec).	Ask for the Management Fee Rebate Election Form from your LBC Financial Services advisor.
	OR	
		No action is required

For more information, please contact your LBC Financial Services mutual funds representative or visit mackenzieinvestments.com/en/lbc

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