

Understanding how management fee rebates are taxed

One of the many benefits of the Mackenzie Private Wealth Program is reduced fees on your investments. As your wealth in the program grows, and as more members of your household are included in the program, your fees will automatically decline.

If you invest in Series PW, PWT5, PWT6, PWT8, PWF, PWF5, PWF6 PWF8, PWFB or PWFB5, you do not pay these management fees directly. Instead, the fund itself is charged the management fee on a daily basis.

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.

Please consult your financial advisor to determine the best course of action for your situation.

		Type of Account	
		↓	
		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
		or	
Action	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 T1 tax return	Complete a Management Fee Rebate Election Form (available from Mackenzie Investments) and use the rebate amount (see investor’s statement)
		Investors in registered accounts will not be taxed on the rebates they receive. The rebate amount will be fully taxed as income when withdrawn from a retirement plan in the same way as any amounts withdrawn would be taxed. Rebate amounts withdrawn from a Tax-Free Savings Account will be tax-free.	
		No action is required	