

Pension income splitting: what moves, what never can, and how it affects OAS and the GIS

Spouses and common-law partners can report up to 50% of one person's eligible pension income on the other person's tax return, using Form T1032 each year. What counts depends on the age of the person giving the income, and OAS and CPP never count. The split changes each person's net income, which can change the OAS recovery tax, while the GIS for a couple looks at combined income.

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<https://oasguide.ca/en/library/pension-income-splitting>

Pension income splitting is a choice made on the tax return each year

Pension income splitting does not move any money between bank accounts. It is a choice that two spouses or common-law partners make on their income tax returns. Up to 50% of one person's eligible pension income can be reported by the other person instead.¹ The pension keeps arriving in the same name and for the same amount, and only the two tax returns change.

The choice is made on Form T1032, Joint Election to Split Pension Income.² Both people complete and sign the form, and the information on both copies must be the same.³ The person who gives up part of the income deducts it on line 21000, and the form is due by the filing due date for the year.³ Income tax already withheld from the pension is divided between the two returns in the same proportion as the income.¹

The choice is also made fresh every year. A couple who split pension income in 2024 did not have to use the same percentage in 2025.¹ Both people must have been resident in Canada on December 31 of the tax

year. A couple who lived apart for 90 days or more because the relationship broke down, in a period that includes December 31, cannot split for that year.¹

Which pension income counts depends on the age of the person giving it

The age that matters is the age of the transferring spouse at the end of the year.¹ At any age, the taxable part of life annuity payments from a pension plan can be split. From age 65, more kinds of income count.¹

- Payments from a registered retirement income fund (RRIF), the account that pays out savings built up in an RRSP
- Payments from a life income fund
- Annuity payments from an RRSP

A 63-year-old with a pension from a former employer can split it, but a 63-year-old drawing money from a RRIF cannot split those withdrawals until the year they turn 65. Some income never counts at any age.¹

That list includes Old Age Security (OAS), the Canada Pension Plan (CPP), the Quebec Pension Plan, US IRA income, and foreign pensions that are tax-free in Canada under a tax treaty.¹

CPP pension sharing is a separate process with Service Canada

CPP cannot go on Form T1032, but a couple can share their CPP retirement pensions through Service Canada.⁴ Unlike tax splitting, sharing changes the payments themselves. The share is based on the number of months the couple lived together during their joint contributory period. If both people contributed, each can receive a share of both pensions.⁴

The combined total of the two pensions stays the same whether a couple shares or not.⁴ Either person can apply, and the paper form is ISP1002. Service Canada says that sharing may result in tax savings, and that it is not the same as the CRA's pension income splitting.⁴

Sharing ends with divorce, death, a separation of 12 months, or an approved request to cancel it.⁴

The pension income amount can apply to split income

The federal pension income amount is a tax credit on line 31400. For the 2025 tax year, it is up to \$2,000, or the person's eligible pension income if that is less.⁵ OAS, CPP, and Quebec Pension Plan benefits never count toward it.⁵ Split income that a spouse receives is reported on line 11600, and it can count toward that person's own pension income amount.⁵ Whether it counts depends on the type of income and the ages involved. Step 4 of Form T1032 sets out the calculation.⁵

Splitting moves net income, and the OAS recovery tax follows net income

The OAS recovery tax, often called the clawback, is based on each person's own net world income. For 2026 income, it applies above \$95,323, and the person repays 15% of the income over that line.⁶ That repayment is taken from OAS payments from July 2027 to June 2028.⁶

In this illustration, one spouse has 2026 net income of \$115,000, including \$40,000 of eligible pension income, and the other has \$35,000. Without a split, the first spouse is \$19,677 over the threshold and repays \$2,951.55. If \$20,000 of pension income moves across, the incomes become \$95,000 and \$55,000. Both are then below \$95,323.

The CRA lists the repayment of OAS benefits, the age amount, and the spouse or common-law partner amount among the items a split can change.¹ The effect works in both directions. A larger share can raise the receiving spouse's net income enough to reduce that person's age amount or bring them into the recovery tax.

For the GIS, a couple's combined income is what counts

The Guaranteed Income Supplement (GIS) is a monthly payment for people with low income who receive OAS. For a person with a spouse or

common-law partner, Service Canada uses the couple's combined income.⁷ From October to December 2026, a person whose spouse receives the full OAS pension has a GIS income limit of \$30,528 of combined income.⁷ Splitting moves income from one return to the other, but the combined total stays the same. A split therefore does not lower the income Service Canada adds together for a couple.

A missed year may still be open

The CRA may allow a late or amended election, or cancel one, if the request is made within three calendar years after the filing due date for that year.¹ OAS Guides explains the published rules but does not say which split suits a particular couple. That question belongs to the couple and their own tax adviser, or to a volunteer at a free tax clinic.

Notes

1. Canada Revenue Agency, "Pension income splitting", page modified 2026-01-20. <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/pension-income-splitting.html> (accessed 2026-10-06)
2. Canada Revenue Agency, "T1032 Joint Election to Split Pension Income", page modified 2026-01-20 (2025 version of the form). <https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/t1032.html> (accessed 2026-10-06)
3. Canada Revenue Agency, "Line 21000 – Deduction for elected split-pension amount", page modified 2026-01-20. <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-21000-deduction-elected-split-pension-amount.html> (accessed 2026-10-06)
4. Government of Canada (Service Canada), "Pension sharing", page modified 2025-06-18. <https://www.canada.ca/en/services/benefits/publicpensions/cpp/share-cpp.html> (accessed 2026-10-06)
5. The \$2,000 maximum is for the 2025 tax year. Canada Revenue Agency, "Line 31400 – Pension income amount", page modified 2026-01-20. <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-31400-pension-income-amount.html> (accessed 2026-10-06)
6. The example in this section is an illustration using the 2026 threshold. It ignores every other factor in a real return. Government of Canada (Service Canada), "Old Age Security pension recovery tax", page modified 2026-09-29. <https://www.canada.ca/en/services/be>

enefits/publicpensions/old-age-security/recovery-tax.html (accessed 2026-10-06)

7. Income limit for October to December 2026; it changes every quarter. Government of Canada (Service Canada), “Guaranteed Income Supplement: How much you could receive”, page modified 2026-09-29. <https://www.canada.ca/en/services/benefits/publicpensions/old-age-security/guaranteed-income-supplement/benefit-amount.html> (accessed 2026-10-06)

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