



H&R BLOCK

HOW TO HANDLE BEING OVER YOUR RRSP CONTRIBUTION LIMIT

In 2007, the Canada Revenue Agency notified more than 100,000 Canadians that they had overcontributed to their Registered Retirement Savings Plan (RRSP). Here are some tips in case you find yourself exceeding your limit:

- You can overcontribute to your RRSP by up to \$2,000 without being penalized. However, you cannot claim a deduction for the excess amount.
- If you overcontribute by more than \$2,000, you are subject to a one per-cent penalty tax for each month you are in excess of that. You have to complete a T1-OVP Individual Tax Return for RRSP Excess Contributions to calculate the amount of the overcontribution and penalty tax. This form must be filed, and the tax remitted, within 90 days from the end of the year (March 30, 2010 if there was an excess amount in the plan at the end of a month in 2009.)
- You can request a waiver of the penalty tax if:
 - The excess amount arose as a consequence of reasonable error; and
 - You can demonstrate that you are taking reasonable steps to eliminate it.
- If you discover that you have overcontributed, you should try and withdraw the excess amount as soon as possible. Although you must include the withdrawal in income on your tax return, you can claim an offsetting deduction as long as the following conditions are met:
 - You reasonably expected to be able to claim a deduction for the contribution, either in the year you made the contribution or the year before; and
 - You did not make the contribution with the intention of later withdrawing it and deducting the offsetting amount.
- You can ask the Canada Revenue Agency (CRA) to certify the amount of the excess contribution using Form T3012A. The financial institution will release the funds without withholding tax with this certified form.
- Without a T3012A, you can still withdraw the excess amount but the financial institution will withhold tax. Use Form T746 when you file your tax return to claim the offsetting deduction and a credit for the tax withheld.