

## Excess Contribution Scenario

A Canadian resident who is 43 years old opened a TFSA in 2009, and contributed the maximum amount each year for a total of \$52,000.00 by the end of December 2017. In 2018, they made the following contributions and withdrawals:

- contribution on January 16 = \$5,000.00
- contribution on March 1 = \$500.00
- contribution on June 5 = \$3,500.00
- withdrawal on October 2 = \$800.00

Their contribution room for 2018 was \$5,500.00 but as noted above, they went into excess of \$3,500.00 on June 5. On that date, their total contributions in 2018 were \$9,000.00 (total is calculated by adding the contributions \$5,000.00 + \$500.00 + \$3,500.00 \$5,000.00 + \$500.00 + \$3,500.00). As of June 5, they had an excess amount of \$3,500.00 in their TFSA (\$9,000.00 of total contributions minus \$5,500.00 of contribution room).

This resident now has to pay tax on their excess contributions. This tax is 1% of the highest excess TFSA amount each month.

Calculate what the resident will owe based on their excess contributions per month for 2018. Keep their withdrawal amount in mind as this will affect their excess contribution for November and December of that year.

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