

Overcontribution to RRSP?

When you contribute to your RRSP plan, more than your limit, there are penalties that continue, and there is a way you can make an adjustment to the over contribution in a relatively easy fashion. First of all, the penalty amounts to 1% for each month the over contributed value remains in your RRSP account, so you want the funds withdrawn as soon as possible. The easiest way is to withdraw the funds, and have the tax deducted by the bank and remitted on your behalf. You will make an adjustment when you file your tax return for that year. Secondly, when you determine the year the over contribution is made, then obtain the RRSP documents that detail exactly the month of contribution, or obtain a statement from your account, or bank that will detail the period the contributions were made in that year. Download the T1OVP form from CRA website, and sign it. Mail it to your tax centre with the statement of your RRSP contributions that detail the month of contributions so the calculations can be made for the 1% penalty. When a tax preparer (Hollingsworth & Associates) fills the form out, they may charge you per hour, and it is a tedious procedure that does take a fair amount of time. Just sent the form in blank with the statements, and CRA will do the calculations. Thirdly, obtain T746 from <http://www.cra-arc.gc.ca/E/pbg/tf/t746/t746-16e.pdf> and fill it out.

When your tax return is to be filed in the year that you withdrew the over contribution from your account, then deduct the RRSP amount that you are claiming as additional income (from which you have already paid some tax), from line 232 of your tax return. Send your tax return in to your tax centre by mail, rather than electronically filing the same, and append the T746. When the calculation for your taxable income is done, the RRSP income is offset by the deduction made on line 232, and the overpaid tax amount will be refunded, unless of course you had other income that required a payment of tax.

This procedure is a little simpler, but the simple pulling of the over contributed RRSP amount is not the end of it, so you must follow the steps necessary to have your over contribution amount adjusted by CRA, and for you to exclude the RRSP amount included in your income, from your net income.

Good luck. You will have to pay the penalty of 1% per month for each month the contribution has been made, where you did not have contribution room.

Jack