

Maximum contribution limits

Under the *Income Tax Act (Canada)*, the Canada Revenue Agency (CRA) has reviewed the maximum contribution limits for tax-assisted retirement savings plans to treat all Canadian taxpayers fairly and offer them an equal opportunity to save for retirement, whether they accumulate benefits under a Registered Retirement Savings Plan (RRSP), Registered Pension Plan (RPP), Tax-Free Savings Account (TFSA), or a Deferred Profit Sharing Plan (DPSP).

Contributions under an RRSP

Under Canadian income tax rules for RRSPs, each individual's contribution room is calculated based on:

- The current tax year's allowable contribution limit, plus
- Any carry-forward of unused contribution room,

Less:

- The member's Pension Adjustment (PA) for the previous year in relation to an employer's RPP and/or DPSP,
- The member's net past service PA for the year, and
- The member's prescribed amount² for the year.

Plus:

- The member's total Pension Adjustment Reversal (PAR) for the year, and

The current year's allowable contribution limit is the lesser of:

- 18% of the member's earned income¹ for the previous year, and
- The annual dollar limit.

RRSP Annual Dollar Limit

2008	2009	2010	2011	2012
\$20,000	\$21,000	\$22,000	\$22,450	\$22,970

Tax-deductible RRSP contributions can be made and unused contributions can be carried forward until the end of the year in which the member turns age 71. Contributions can also be made to a spouse's RRSP until the end of the year in which the spouse reaches 71, provided the contributor still has contribution room.

A Structured RRSP (STRP) is similar to an RRSP; the difference is that the employer can also contribute to it. This means that both member and employer contributions count towards the contribution room.

Contributions under a Defined Contribution RPP (DC-RPP)

The maximum amount that may be contributed (combined employer, member and member additional voluntary contributions) to a DC-RPP in a year is the lesser of:

- 18% of the member's employment earnings received from the employer for the year, and
- The annual dollar limit.

DC-RPP Annual Dollar Limit (Money-Purchase Limit)

2008	2009	2010	2011	2012
\$21,000	\$22,000	\$22,450	\$22,970	Indexed

Please note that connected persons³ can contribute to a DC-RPP but need to be identified.

Contributions under a TFSA

The TFSA contribution room is made up of:

- The annual TFSA dollar limit (\$5,000 plus indexing if applicable)
- Any unused contribution room carried forward from previous year(s), and
- The total of any withdrawals made in the previous year.

TFSA Annual Dollar Limit

2009	2010	2011	2012
\$5,000	\$5,000*	\$5,000*	\$5,000*

* These amounts will be indexed to the inflation rate and rounded to the nearest \$500.

¹ Earned income includes salary, wages, net rental income, royalties, net research grants, net taxable alimony and maintenance received, and net income received from the non-incorporated business. It includes superannuation or pension benefits from 1990 onwards.

² Prescribed amounts may be applicable where a member participates in a foreign pension plan or Government Sponsored Retirement Arrangement.

³ You must complete a Connected Person Information Return (T1007) form for each connected person joining the plan no later than 60 days after the individual becomes a member of the Registered Pension Plan and submit this form to the CRA (please retain a copy for your records).

Contributions under a DPSP

The maximum amount that may be contributed by the employer to a DPSP in a calendar year is the lesser of:

- 18% of the member's employment earnings received from the employer for the year, and
- One half of the money-purchase annual dollar limit.

DPSP Annual Dollar Limit				
2008	2009	2010	2011	2012
\$10,500	\$11,000	\$11,225	\$11,485	Indexed

Please note that connected persons cannot contribute to a DPSP.

Did you know that members cannot contribute to a DPSP? This is because contributions to a DPSP are paid out of the employer's profits; the plan therefore does not allow for a member's contributions.

A connected person includes a person connected with an employer at any time if, at that time, the person:

- *Owns, directly or indirectly, at least 10% of the issued shares of any class of the capital stock of the employer, or of any other corporation that is related to the employer;*
- *Does not deal at arms length with the employer; or*
- *Is a specified shareholder of the employer under paragraph (d) of the definition of "specified shareholder" in subsection 248 (1) of the Income Tax Act (Canada).*