## Tax Free Savings Account

**1. What is the Tax-Free Savings Account (TFSA)?**
The TFSA is a registered savings account that allows taxpayers to earn investment income tax-free inside the account. Contributions to the account are not deductible for tax purposes, and withdrawals of contributions and earnings from the account are not taxable.

**2. Who is eligible to open a TFSA?**
Any individual (other than a trust) who is resident in Canada and 18 years of age or older is eligible to establish a TFSA.

You can open an account at most financial institutions such as Canadian trust companies, life insurance companies, banks, and credit unions (the same institutions that are currently eligible to issue a Registered Retirement Savings Plan). You need to provide the issuer with your social insurance number when the account is opened.

You are permitted to hold more than one TFSA.

**3. How much can I contribute to the TFSA per year?**
Each year you can contribute an amount up to your contribution room for the year. Your contribution room is made up of three amounts:

a) Each year you are allocated and allowed to contribute at least $5,000 (this annual amount will be indexed to inflation and rounded to the nearest $500 on a yearly basis).
b) Any withdrawals made in the previous year are added to the contribution room for the year.
c) Any unused contribution room from the previous year is added to the contribution room for the year.

**4. If I don't have the money to invest in a given year, can I use any unused contribution room in a future year?**
Yes, there is no limit on the number of years unused contribution room could be carried forward.

**5. What happens if I contribute more than my contribution room?**
Excess contributions are subject to tax of one per cent per month, for each month that the excess remains in the plan.

**6. Would there be any restrictions on withdrawals?**
No, you can withdraw any amount in the account for any reason.

**7. Do contributions and withdrawals have any impact on my taxes and income-tested benefits?**
No, contributions to a TFSA are not be deductible in computing income for tax purposes, and no amount earned in or withdrawn from a TFSA is included in computing income for tax purposes.

Withdrawals are not be taken into account in determining eligibility for income-tested benefits or credits delivered through the income tax system (for example, the Canada Child Tax Benefit, the Working Income Tax Benefit, the goods and services tax credit, and the age credit).

Furthermore, these amounts do not reduce other benefits that are based on the individual's income level, such as Old Age Security benefits, the Guaranteed Income Supplement, or Employment Insurance benefits.

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**8. What kind of investments can I hold in my TFSA?**
A TFSA is generally permitted to hold the same investments as a registered retirement savings plan. This includes mutual funds, publicly traded securities, GICs, bonds, and certain shares of small business corporations.

**9. Is interest on money borrowed to invest in my TFSA tax-deductible?**
No, interest on money borrowed to invest in a TFSA is not deductible for tax purposes.

**10. Can I use my TFSA assets as security for a loan?**
Yes, you can use the TFSA assets as security for a loan.

**11. If I provide funds to my spouse or common-law partner to invest in a TFSA, will the income earned in that account be attributed back to me?**
No, the attribution rules do not apply to income earned in a TFSA where you provide funds to your spouse or common-law partner to take advantage of their TFSA contribution room.

**12. What happens if the account holder passes away?**
Generally, earnings that accrue in the account after the account holder's death are taxable, while those that accrued before death remain exempt. However, it is possible to maintain the tax-free status of the earnings if the account holder names his or her spouse or common-law partner as the successor account holder. Alternatively, the assets of the deceased's TFSA can be transferred to the TFSA of the surviving spouse or common-law partner without any impact on the survivor's existing contribution room.

**13. Can I still contribute to a TFSA if I become a non-resident of Canada?**
If you become a non-resident, you are allowed to maintain your TFSA, and you will not be taxed on any earnings in the account or on withdrawals; however, you will not be allowed to contribute, and no contribution room will accrue for any year throughout which you are a non-resident.

**14. What happens if there was a breakdown of a marriage or a common-law partnership?**
In such a situation, an amount can be transferred directly from one spouse or common-law partner's TFSA to the other's. The amount of the transfer will not affect either person's contribution room.

**15. How do I know what my TFSA contribution room is for a given tax year?**
The CRA will determine TFSA contribution room (based on information provided by issuers) for each eligible individual who files an annual T1 individual income tax return.

Individuals who have not filed returns for prior years (because for example, there was no tax payable) will be permitted to establish their entitlement to contribution room by filing a return for those years or by other means acceptable to the CRA.