

Election Proposal Costing

Increasing the Tax-Free Savings Account contribution limit

April 22, 2025

Increasing the Tax-Free Savings Account (TFSA) contribution limit by \$5,000 per year on the condition that additional contributions are used to invest in Canadian-owned companies.

Cost of Proposed Measure

Fiscal year	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Total cost \$ millions	10	51	89	126	161	437

Notes

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a deterioration in the budgetary balance (lower revenues or higher spending). A negative number implies an improvement in the budgetary balance (higher revenues or lower spending).
- Totals may not add due to rounding.

Estimation and Projection Method

The Canada Revenue Agency's Tax-Free Savings Account data (2022 tax year) was used to identify the number of individuals who are currently maximizing their TFSA contributions. These individuals were assumed to fully meet the new contribution limit each year, either by investing more of their income or reallocating investments from non-tax-sheltered accounts. A market rate of return was used to calculate increases in the value of investments. Individuals were assumed to annually withdraw a proportion of their total TFSA investments commensurate with average yearly TFSA withdrawals for their income bracket. Foregone tax revenues were then calculated at marginal rates and with an inclusion rate of 50% for capital gains. Estimated costs represent foregone taxes on investment income that would otherwise have been collected as well as aggregate changes in income-tested benefits. Behavioural responses related to preferred investment choices and the use of tax-sheltered investment accounts by individuals were not considered.

Sources of Uncertainty

The main sources of uncertainty relate to the number of individuals taking advantage of the higher TFSA contribution limit and the extent to which the additional space is used on an ongoing basis.

Data Sources

Total number of TFSA holders who maximized contributions, by income range

CRA Tax-Free Savings Account statistics tables

Total dollar value of withdrawals, by income range

CRA Tax-Free Savings Account statistics tables

Total Fair Market Value of TFSA investments, by income range

CRA Tax-Free Savings Account statistics tables