

Subject: **Canada Pension Plan contribution changes**

This message is sent on behalf of the Finance-Payroll department. Please direct inquiries to uoitpayroll@uoit.ca.

What is this about?

Changes are coming in 2019 and in subsequent years to the contributions Canadians make to the Canada Pension Plan (CPP). Increased contribution rates will improve retirement incomes for the next generation of seniors and help families plan toward saving sufficiently for retirement.

How will the CPP enhancement affect me?

To fund the [enhanced CPP benefit](#), all Canadian employees and employers will contribute more to the CPP. Increased contribution rates will be phased in over seven years. Your CPP retirement benefits will gradually increase as you contribute more to the CPP.

What do I need to do?

You don't need to do anything until you submit your 2019 income tax return in early 2020.

Details about CPP changes:

Starting **January 1, 2019**, annual CPP contribution rates will rise modestly over seven years.

Phase 1 (2019 to 2023) involves a gradual increase in the contribution rate by one percentage point (from 4.95 to 5.95 per cent). As of 2023, if you earn less than the CPP projected Year Maximum Pensionable Earnings (YMPE) or the earnings ceiling, there will be no further rate increases for you. The rate will remain 5.95 per cent for both employee and employer.

Phase 2 (beginning in 2024) will only affect those at higher income levels. At that time, a second, higher limit will be introduced, allowing you to invest an additional portion of your earnings to the CPP. This new limit, known as the Year's Additional Maximum Pensionable Earnings (YAMPE), will not replace the first YMPE. Instead, it will subject your earnings to two earnings limits.

Example:

For 2019, the Canada Revenue Agency's (CRA) YMPE is \$57,400, with an annual basic exemption of \$3,500. The CPP contribution rate will be 5.10 per cent. This makes the 2019 maximum CPP contribution **\$2,748.90** (calculated as [\$57,400 minus \$3,500], then multiplied by 5.10 per cent).

Someone earning \$54,900 per year will contribute about \$6 more per month in 2019. By 2023, you would be contributing about \$40 more per month than currently.

What to do when you complete your 2019 tax return:

Your 2019 T4 slip will not change. Your total CPP contributions deducted, both base and enhanced, will be reported in Box 16 as a combined amount. There will be no distinction between the enhancement and the base CPP on your T4. Your total pensionable earnings will be reported in Box 26 as before.

Your CPP contributions must be separated into two parts: base CPP contributions and enhanced CPP contributions. Base contributions are calculated at a rate of 4.95 per cent, the same as your rate in 2018. Any amount above that is your enhanced contribution for 2019.

Currently, you can claim a 15 per cent non-refundable tax credit for your base CPP contributions. You will continue to do this after the enhancement. You will also claim a tax deduction for the enhanced portion.

Electronic filers – If you file your return electronically using commercial tax software that is certified for NETFILE, or if a tax preparer completes and files your return using EFILE, the tax software will do all the necessary calculations. It will automatically separate and apply the base and enhanced contributions for you.

Paper filers – If you file a paper income tax and benefit return, the CRA forms will guide you through a calculation of the base and enhanced CPP contributions, so you can claim the non-refundable tax credit and the tax deduction properly. Schedule 8 of your return will break down your base and enhanced amounts. A new line (Line 223) will be added to your T1 return where you will enter the enhanced amount of your contributions from Schedule 8. The CPP base amount will be entered on Line 308, as in the past.

Questions?

If you have any questions about your CPP deductions through payroll, please contact the Finance-Payroll department at uoitpayroll@uoit.ca.

For questions relating to CPP retirement benefits, please contact the Canada Pension Plan office at 1.800.277.9914, or visit the [Canada Pension Plan website](#).