Chapter 3

Canada Pension Plan and Employment Insurance Requirements

Learning Objectives:

Upon completion of this chapter, you should be able to:

1. Identify the following Canada Pension Plan components:
   - Who must contribute to the Canada Pension Plan
   - Types of employment subject to Canada Pension Plan contributions
   - Types of employment not subject to Canada Pension Plan contributions
   - Payments and benefits subject to Canada Pension Plan contributions
   - Payments and benefits not subject to Canada Pension Plan contributions
2. Calculate Canada Pension Plan contributions at an individual level
3. Identify the following Employment Insurance components:
   - Who must pay Employment Insurance premiums
   - Types of employment subject to Employment Insurance premiums
   - Types of employment not subject to Employment Insurance premiums
   - Payments and benefits subject to Employment Insurance premiums
   - Payments and benefits not subject to Employment Insurance premiums
4. Calculate Employment Insurance premiums at an individual level
5. Describe the purpose of a Record of Employment
6. Identify when the Record of Employment must be completed

Communication Objectives:

Upon completion of this chapter, you should be able to explain:

1. The requirements and calculations for Canada Pension Plan contributions
2. The requirements and calculations for Employment Insurance premiums
3. What Service Canada uses the information on a Record of Employment for

Chapter Contents

Introduction

This chapter focuses on the government pension and insurance programs.

The Canada Pension Plan (CPP) is a social insurance program, legislated under the federal *Canada Pension Plan Act*. The purpose of the act is to protect contributors and their families against the loss of income due to retirement, disability and death. The program is funded by employees through payroll deductions and by employers who match their employees' deductions dollar for dollar. Since this is a *pension* plan, employee deductions for the plan are called Canada Pension Plan contributions.

Employers may also provide non-government-sponsored pension plans for their employees that may require withholding contributions from the employee's pay. The payroll withholding requirements for these pension plans will be covered in the course *Payroll Fundamentals 1*. At this point, you should be aware that the Canada Pension Plan is not the only pension plan in many organizations.

Employment Insurance (EI) is a social insurance program legislated under the federal *Employment Insurance Act*. The program provides temporary income support to unemployed workers while they look for employment or to upgrade their skills. The EI program also provides special benefits to workers who take time off work due to specific life events (illness; pregnancy; caring for a newborn or newly adopted child, a critically ill or injured person, or a family member who is seriously ill with a significant risk of death). Employment Insurance is funded by employees through payroll deductions and by their employers who pay a premium based on their employees' deductions. Since this is an *insurance* program, employee deductions for the plan are termed Employment Insurance premiums.

Employment Insurance may not be the only insurance program within an organization. Many organizations have life and disability insurance plans that are funded by employers and/or employees. These non-government or private insurance programs will be discussed in the course *Payroll Fundamentals 1*. This chapter focuses on the government legislated Employment Insurance program.

Membership or participation in the Canada Pension Plan (CPP) and Employment Insurance Plan (EI) is compulsory for certain types of employment. As a payroll practitioner, you will need to know which employees must participate in these plans, what amounts to withhold from employees and how much the employer will have to remit or send to the Canada Revenue Agency (CRA).

Note:
Employers are responsible for deducting Québec Pension Plan (QPP) contributions, instead of CPP contributions, from their Québec employees and remitting those contributions to Revenu Québec (RQ). This will be discussed later in the course.

The Record of Employment (ROE) is the form used by Service Canada to determine an individual's qualification to collect Employment Insurance benefits when their employment is interrupted, how much the benefit will be and how long they will collect it. As payroll is responsible for completing the ROE, the form will be illustrated in this chapter, along with an explanation of what payroll information must be tracked for ROE reporting purposes.

Payroll is responsible for the collection of CPP contributions and EI premiums and for remitting these deductions, along with the employer's portion, to the Canada Revenue Agency. In this chapter, you will learn the criteria that determine pensionable and insurable earnings, how to calculate the deductions required on these earnings for regular pay periods and non-regular payments and how to calculate the employer's portion of the remittances.

Under federal legislation, the Canada Pension Plan contribution is the first deduction to be taken from employment income and the Employment Insurance premium is the second deduction. Since these deductions are required under government legislation or statutes, they are referred to as statutory deductions.

Canada Pension Plan Requirements

The Canada Pension Plan (CPP) was designed as an income replacement program for individuals who have been in pensionable employment during their working life. A CPP retirement pension is a monthly benefit paid to people who have contributed to the Canada Pension Plan. The pension is designed to replace about 25 percent of the earnings on which a person's contributions were based. Individuals can apply for their CPP retirement pension when they turn 60.

There are three Canada Pension Plan benefits:

- retirement pension
- disability benefits (for contributors with a disability and their dependent children)
- survivor benefits (including the death benefit, the survivor's pension and the children's benefit)

The CPP operates throughout Canada while the province of Québec administers its own program for workers in Québec called the Québec Pension Plan (QPP). The two plans work together to ensure that all contributors are protected, no matter where the individual lives. Québec Pension Plan requirements will be covered later in this course.

Who Must Contribute to the Canada Pension Plan

The CPP is a contributory plan. This means that all costs are covered by the financial contributions paid by employees, employers and self-employed workers, and from revenue earned on CPP investments. The CPP is not funded through general tax revenues.

Canada Pension Plan contributions must be withheld from employees who:

1. CPP contributions must be withheld from employees who have reached the age of 18 but are under the age of 70.

> Example:
>
> Janice Blair has a summer job at a fast-food restaurant from May 1 through August 31. Janice will turn 18 in October. For the employment this summer, as the employee has not reached age 18, no CPP contributions will be withheld from earnings.
>
> Janice's friend Harry, who is 22 years old, has a summer job at the same restaurant. Since Harry is at least 18 years of age, the employer must deduct CPP contributions.

Payroll software programs use the date of birth to determine if CPP contributions must be withheld from an employee. On occasion, a payroll practitioner may make the mistake of entering the date of hire in the field used for the employee's birth date. The software program assumes the employee is only days old (under 18 years), and does not deduct CPP contributions. Part of your responsibility as a payroll practitioner is to check that the information has been accurately entered and to verify the system is calculating the contributions correctly.

2. CPP contributions must be withheld from employees who are in pensionable employment.

Pensionable employment includes most employment in Canada under a contract of service. The types of employment that are not considered pensionable by the CRA are provided in this chapter.

> Example:
>
> Last year Lisa Melo, who is 40 years old, worked as a mechanical engineer for Ball Elevators. Lisa was in pensionable employment and therefore the employer withheld the appropriate CPP contributions from the salary.

3. CPP contributions must be withheld from employees in pensionable employment who are not considered to be disabled by either Service Canada or Retraite Québec.

   Once an employee is considered to be disabled by either Service Canada or Retraite Québec, no further CPP contributions are withheld.

> Example:
>
> Charlene Joseph is 62 years of age and works part-time for a small company. The employee is considered to be disabled by Service Canada due to an injury and is receiving disability pension benefits from Service Canada. Charlene's part-time employer is not required to deduct CPP contributions for Charlene once presented with the disability award letter from Service Canada.

4. CPP contributions must be withheld from employees who are 65 years of age but are under the age of 70 and are in receipt of Canada or Québec Pension Plan retirement pension but have not filed an election to stop paying CPP contributions (form CPT30).

> Example:
>
> Richard Doyle applied for and started receiving a CPP retirement pension at age 65 in March. An election to stop paying CPP contributions has not been filed so the employer must continue to deduct CPP contributions from pensionable earnings until an election is filed or the employee reaches age 70.

Types of Employment Subject to Canada Pension Plan Contributions

Pensionable employment includes most employment in Canada under a contract of service (where an employee-employer relationship exists). Canada also has reciprocal social security agreements with other countries, where employees working in other countries can continue to contribute to the Canada Pension Plan.

Types of Employment Not Subject to Canada Pension Plan Contributions

In principle, employees who do not fall within the categories listed previously would not make CPP contributions. However, it is not always clear what constitutes pensionable earnings and pensionable employment. To clarify eligibility, the CRA has developed a list of the types of employment that are not subject to CPP contributions. This information can also be found in the *Employers' Guide – Payroll Deductions and Remittances* – T4001**,** which is published by the CRA.

The following types of employment are excluded by legislation and therefore do not constitute pensionable employment. Payments arising from such employment are not subject to CPP contributions:

- employment in agriculture, or an agricultural enterprise, horticulture, fishing, hunting, trapping, forestry, logging, or lumbering, by an employer:
    - who pays the employee less than $250 in cash remuneration in a calendar year; or
    - employs the employee for a period of less than 25 working days in the same year on terms providing for payment of cash remuneration—the working days do not have to be consecutive

Note:
In a calendar year, when the employee reaches both minimums, $250.00 or more in cash remuneration and works 25 days or more, the employment is pensionable starting from the first day of work.

- employment of a casual nature other than for the purpose of the employer's usual trade or business
- employment of a person, other than as an entertainer, in connection with a circus, fair, parade, carnival, exposition, exhibition, or other similar activity, if that person is:
    - not regularly employed by that employer, and
    - employed by that employer for less than seven days in a year

Note:
When the employee works seven days or more, the employment is pensionable from the first day of work.

- employment of a person by a government body as an election worker, if that person:
    - is not a regular employee of the government body, and
    - works for less than 35 hours in a calendar year

Note:
When the 35 hour limit is reached or exceeded, the entire employment is pensionable from the first day the employee was engaged.

- employment as a teacher on exchange from a foreign country
- employment of a spouse or common-law partner if the employer cannot deduct the remuneration paid as an expense under the *Income Tax Act*
- employment of a member of a religious order who has taken a vow of perpetual poverty. This applies whether the remuneration is paid directly to the order or paid by the member to the order.
- employment for which no cash remuneration is paid, where the employee is the child of, or is maintained by, the employer
- employment of a person who helps the employer in a disaster or a rescue operation if the employee is not regularly employed by the employer

Determination of Pensionable Earnings

CPP contributions are based on pensionable employment income. While salaries are obvious sources of income, employees can also be compensated for their work through benefits, such as paid leaves, free rent and low-interest loans. The Canada Revenue Agency provides details of which payments and benefits are subject to, or not subject to, CPP contributions. This information can be found in the *Employers' Guide – Payroll Deductions and Remittances* – T4001 and *Employers' Guide – Taxable Benefits and Allowances* – T4130 which are published by the CRA annually.

Payments and Benefits Subject to Canada Pension Plan Contributions

The payments and benefits subject to CPP contributions generally fall into the following categories:

1. Income from employment
2. Taxable benefits and allowances
3. Certain fees and honorariums
4. Controlled tips
5. Paid leaves
6. Benefits under certain wage-loss replacement plans

While general information is provided on each of these categories, payroll practitioners will most often deal with the CPP contribution requirements on income from employment and taxable benefits and allowances.

1. Income from employment

Salary and wages or other remuneration, commissions, wages in lieu of termination notice, bonuses, the value of board and lodging (other than an exempt allowance paid to an employee at a special work site or remote work location).

2. **Taxable benefits and allowances**
   Rent-free and low-rent housing, car allowances, interest-free and low-interest loans, personal use of an automobile that an employer owns or leases, certain gifts, prizes and awards, holiday trips, subsidized meals, employer contributions to an employee's Registered Retirement Savings Plan (RRSP), and employer-paid group term life and accidental death and dismemberment insurance premiums. This also includes any taxable benefits paid in cash.
3. **Certain fees and honorariums**
   Honorariums by virtue of employment or office, incentive payments, director's fees, fees paid to board or committee members, executor's and administrator's fees earned by an executor or administrator to administer an estate as long as the person does not act in this capacity in the regular course of business.
4. **Controlled Tips**
   Tips and gratuities are received for services performed, such as tips received by someone working in a restaurant. Controlled gratuities are tips that are controlled by the employer, not the customer, for example, when a certain percentage is added to the bill by the restaurant.
5. **Paid leaves**
   a) Remuneration received while on furlough, sabbatical, vacation, sick leave, retirement, or lost time pay from a union, vacation pay, payments received under a supplementary unemployment benefit plan (SUB) which does not qualify as a SUB plan under the *Income Tax Act* such as maternity or parental top-up payments, and payments for sick leave credits.
   b) The salary an employer continues to pay to an employee before or after a Workers' Compensation Board (WC) claim is decided, as well as:
      a. any advance or loan that is more than the WC award
      b. any advance or loan not repaid or
      c. a top-up amount paid by the employer
6. **Benefits under certain wage-loss replacement plans**
   a) Benefits paid directly by employers to employees from a wage-loss replacement plan (WLRP)
   b) WLRP benefits paid by an insurance company, trustee or independent organization on behalf of the employer where the employer:
      - funds part or all of the plan
      - exercises a degree of control over the terms of the plan, and
      - determines eligibility for benefits.

Note:
Payments under an Administrative Services Only (ASO) plan are generally considered pensionable since the third party (insurance company) is acting as an agent of the employer. Since there is no contract of insurance indemnifying the employer against risk, the employer is still considered to be exercising a degree of control over the terms of the plan.

Canada Pension Plan Contributions on Non-cash Taxable Benefits

If an employer provides employees with a non-cash taxable benefit, the CRA requires that the value of the benefit be included in the employee's earnings as it is earned or enjoyed. One of the most common non-cash taxable benefits provided to employees is group term life insurance coverage. The CRA requires that the amount of the premium the employer pays for the insurance, plus any applicable taxes, be included in the employee's pensionable earnings as it is enjoyed, that is, on a pay period basis. To calculate the amount of the benefit to include in the employee's income, the pay period frequency is required.

Example:

Superior Foods, located in Alberta, provides its employees with group term life insurance coverage of two times the employee's annual salary.

For Louise Davis' coverage of $75,000.00, Superior Foods pays an annual premium of $780.00. As Louise is paid on a bi-weekly basis, the non-cash taxable benefit to be included in the bi-weekly pensionable earnings is calculated as follows:

$$\text{Taxable Benefit} = \frac{\text{Annual employer paid insurance premium}}{\text{Pay period frequency}}$$

$$= \frac{\$780.00}{26}$$

Taxable Benefit = $30.00 per bi-weekly pay period

The group term life insurance non-cash taxable benefit will show on Louise's pay statement and be included in the calculation of CPP contributions and income tax withholdings.

Payments and Benefits Not Subject to Canada Pension Plan Contributions

Some payments received by employees are not considered to be compensation for work performed, because they are:

- Death benefits
- Pension benefits
- A payment at the end of employment that is not considered employment income, for example, severance payments or retiring allowances
- Wage-loss replacement plan (WLRP) benefits paid under a contract of insurance
- Workers compensation advances or loans
- Payments linked to special conditions under the *Income Tax Act*

The payments and benefits that are **not** subject to CPP contributions are detailed as follows:

1. Death benefits

Example:
Marie Gelinas passed away in June, after a lengthy illness. The employer gave the surviving spouse a $10,000.00 death benefit. This was a discretionary payment made in recognition of Marie's service to the organization. It did not include any outstanding wages or vacation owing to the employee. There are no CPP contributions calculated on the $10,000.00 payment.

2. Pension benefits

a) pension payments

Example:
Len Bud retired from Tire Wares, at age 55, after 30 years of service and receives a monthly pension of $1,500.00 from the employer's registered pension plan. Tire Wares asked Len to return to work as a guide for school tours of the plant. Len receives $2,000.00 a month for this work. Tire Wares does not include Len's pension income of $1,500.00 when calculating Len's CPP contributions.

b) lump-sum payments out of a pension fund

Example:
Fred Way terminated employment before becoming vested in the registered pension plan. The employer will process a lump-sum payout of the contributions Fred made to the plan. This payment would not be subject to CPP contributions.

c) amounts allocated by a trustee under a profit-sharing plan or paid by a trustee under a deferred profit-sharing plan

Example:
Lise Gordon, who is 36 years old, has been diagnosed with a terminal illness. The Deferred Profit Sharing Pension Plan allows for a lump-sum payment out of the plan due to the shorter than normal life expectancy. The lump-sum payment in these circumstances would be taxable, at the lump-sum tax rates, but not subject to CPP contributions.

d) benefits received under a qualified supplementary unemployment benefit plan (SUBP) under the *Income Tax Act*

> Example:
>
> General Promotions provides a supplementary unemployment benefit plan (SUBP) to employees who are receiving Employment Insurance sickness benefits. The benefits paid by a trustee, when combined with the EI sickness benefits, equal 95% of the employee's regular weekly gross earnings. The amount paid by the trustee is not subject to CPP contributions.

3. **Payments at the end of employment**
   Retiring allowances or severance payments received upon or after retirement in recognition of long service or in respect of loss of office or employment including accumulated sick leave credits.

> Example:
>
> Marjory White's employment was terminated and the final pay included a $5,000.00 severance payment. There were no CPP contributions withheld on this $5,000.00 payment.

4. **Wage-loss replacement plan (WLRP) benefits paid under a contract of insurance**
   WLRP benefits are paid directly to an employee by an insurance company, trustee or independent organization under a contract of insurance.

> Example:
>
> Alice Chau is covered for long-term disability (LTD) benefits under the organization's WLRP. A contract of insurance exists and the insurance company maintains all control and liability over the plan. There are no CPP contributions withheld from the benefit payments paid by the insurance company.

5. **Workers' compensation advances or loans**
   An advance or loan equal to an award that you pay to an employee while a workers' compensation claim is being decided. If the advance or loan is not repaid, then you have to deduct CPP contributions.

> Example:
>
> When Seung Dang broke an arm in a work-related accident, the employer advanced an amount of $3,000.00 until the workers' compensation payments began. As Seung repaid this advance to the employer, no CPP contributions were calculated on the advance amount.

6. **Payments linked to special conditions under the *Income Tax Act***
   Amounts for the residence of clergy members if the clergy members receive an income tax deduction for their residence.

> Example:
>
> Reverend Foster's parish pays the $1,000.00 monthly lease payment on the residence. Reverend Foster claims an allowable deduction for clergy on the annual income tax return. The parish does not include this $1,000.00 when calculating Reverend Foster's CPP contributions.

Content Review

- Canada Pension Plan contributions must be withheld from employees who:
    - have reached the age of 18 but are under the age of 70
    - are in pensionable employment
    - are not considered to be disabled by either Service Canada or Retraite Québec
    - are 65 years of age but are under the age of 70 and are in receipt of Canada or Québec Pension Plan retirement pension, but have not filed an election to stop paying CPP contributions.
- Payments and benefits subject to Canada Pension Plan contributions generally fall into the following categories:
    - income from employment
    - taxable benefits and allowances
    - certain fees and honorariums
    - controlled tips
    - paid leave
    - benefits under certain wage-loss replacement plans
- Some payments received by employees are not considered to be compensation for work performed, because they are:
    - death benefits
    - pension benefits
    - a payment at the end of employment that is not considered employment income, for example, severance payments or retiring allowances
    - wage-loss replacement plan (WLRP) benefits paid under a contract of insurance
    - workers' compensation advances or loans
    - payments linked to special conditions under the *Income Tax Act*

Review Questions

1. Canada Pension Plan contributions must be withheld from which of the following:

   a. employees in pensionable employment who have reached the age of 18 but are under the age of 70
   b. all employees who are paid a salary
   c. employees who are considered to be disabled by either Service Canada or Retraite Québec

2. True or False. Canada Pension Plan contributions should be deducted from an employee who is 65 years of age and is in receipt of the CPP retirement pension but has not filed an election to stop paying CPP contributions.

3. Which of the following types of employment is subject to Canada Pension Plan contributions?

   a. Employment of a person 18 years of age or over who has pensionable earnings
   b. Employment of a ticket taker who only works for three days at the summer fair
   c. Employment as a teacher on exchange from India

4. Which of the following payments and benefits is subject to Canada Pension Plan contributions?

   a. Winona received a $100 gift certificate from friends at work as a birthday gift
   b. Stephan received a $100 tip at the restaurant where he is the head waiter and the restaurant determined the amount of the tip
   c. Harold took a one-year unpaid leave from employment to travel
   d. Betty received a payment of $75 from the employer as reimbursement for office supplies purchased for work-related use

5. True or False. Canada Pension Plan contributions must be calculated on the severance payments made to an employee when they leave an organization.

Canada Pension Plan Contribution Calculations

Canada Pension Plan (CPP) contributions are calculated on an employee's pensionable earnings (PE). Pensionable earnings include salary, wages, and other remuneration paid as well as any taxable benefits, taxable allowances and taxable expense reimbursements paid or provided to employees. Each year, the Canada Revenue Agency determines:

- a yearly maximum amount of pensionable earnings from which employers deduct CPP contributions up to an annual maximum contribution.
- a yearly basic exemption (YBE), which is an amount employees are allowed to earn before CPP is required to be deducted.
- a contribution rate employers use to calculate the amount of CPP to deduct from employees.

The yearly maximum pensionable earnings (YMPE) less the yearly basic exemption (YBE) are the contributory earnings the CPP contribution rate is applied to, for deduction purposes.

For 2022:

Yearly Maximum Pensionable Earnings (YMPE)	A	$64,900.00
Yearly Basic Exemption (YBE)	B	$3,500.00
Contributory Earnings (A – B)	C	$61,400.00
CPP Contribution Rate*	D	5.70%
Annual Maximum Employee Contribution to CPP (C x D)	E	$3,499.80
Annual Maximum Employer Contribution to CPP (C x D)	F	$3,499.80

*The QPP contribution rate for Québec employees is 6.15% and will be discussed later in the course.

Note:
As of 2019, the CPP program is being gradually enhanced. As a result, CPP pensionable earnings and contributions will change as follows:

- The CPP contribution rate will gradually increase
  - 4.95% to 5.95% over five years (2019 – 2023) on the Yearly Maximum Pensionable Earnings (YMPE)
- A new Additional Yearly Maximum Pensionable Earnings (AYMPE) will be introduced
  - starting in 2024 at 7% above that years YMPE
  - from 2025 onwards set at 14% above each years YMPE
- a new 4% contribution rate will begin in 2024 on earnings above YMPE up to the years AYMPE value

Once an employer has deducted the annual maximum CPP contribution from an employee, no further CPP deductions are to be withheld from the employee for that year.

Both employees and employers have to make CPP contributions. Employers match their employees' CPP contributions dollar for dollar and remit both portions to the CRA.

The yearly basic exemption of $3,500.00 is divided by the number of regular pays in the year to determine the amount of the exemption that should be applied to the pensionable earnings for each pay period.

The pay period exemptions, based on pay frequency, are:

PAY PERIOD TYPE	YEARLY BASIC EXEMPTION	NUMBER OF PAYS PER YEAR	PAY PERIOD EXEMPTION
Weekly	$3,500.00	52	$67.30
Weekly	$3,500.00	53	$66.03
Bi-weekly	$3,500.00	26	$134.61
Bi-weekly	$3,500.00	27	$129.62
Semi-monthly	$3,500.00	24	$145.83
Monthly	$3,500.00	12	$291.66

These exemptions are calculated as follows:

Weekly exemption: 52 pay periods per year $\frac{\$3,500.00}{52} = \$67.30^*$

Bi-weekly exemption: 26 pay periods per year $\frac{\$3,500.00}{26} = \$134.61^*$

Semi-monthly exemption: 24 pay periods per year $\frac{\$3,500.00}{24} = \$145.83^*$

Monthly exemption: 12 pay periods per year $\frac{\$3,500.00}{12} = \$291.66^*$

*The calculations are not rounded, per the CRA's instructions. Rounding would result in a yearly basic exemption greater than $3,500.00.

Example:	
Weekly exemption	$\frac{\$3,500.00}{52} = \$67.3076$
If weekly exemption rounded	\$67.3076 rounded up to \$67.31 \$67.31 x 52 = \$3,500.12
The annual exemption would be exceeded	\$3,500.12 is greater than \$3,500.00

Every seven years the calendar days fall in such a way that there can be 53 weekly pays in the year, rather than 52, depending on which day of the week is the payday. In this case, the basic exemption for each of the 53 weekly pay periods will be:

$$\frac{\$3,500.00}{53} = \$66.03$$

Every eleven years, for the same reason, there will be 27 bi-weekly pays in the year, rather than 26. In this case, the basic exemption for each of the 27 bi-weekly pay periods will be:

$$\frac{\$3,500.00}{27} = \$129.62$$

Regular Pay Periods

Canada Pension Plan contributions on regular earnings can be calculated using the following CRA approved methods:

- *Payroll Deductions Tables* – T4032
- *Payroll Deductions Supplementary Tables* – T4008
- Payroll Deductions Online Calculator (PDOC)
- *Payroll Deductions Formulas for Computer Programs* – T4127
- manual calculation

Payroll service providers and organizations that use an in-house payroll system will build the formulas for computer programs into their software. Payroll practitioners must be prepared to use PDOC or the manual calculation method if they need to produce a manual payroll cheque.

Payroll Deductions Tables

The CRA annually publishes tables that provide the amounts to be withheld for CPP contributions, EI premiums and federal and provincial/territorial income tax deductions for certain pay period frequencies. As the provincial/territorial income tax deductions vary by jurisdiction, there are separate tables published for each province and territory that contain the federal income tax deductions and the jurisdiction-specific income tax deductions. The tables are issued effective January 1st of each year; however, if there is a change during the year that affects the amounts reported in the tables, the CRA will publish new tables, effective the date of the change. The tax tables are only available in electronic format.

Note:
The payroll deduction tables and online tools used as illustrations throughout this chapter are not necessarily those of the current year.

Withholdings for the following most common pay period frequencies are provided in the *Payroll Deductions Tables* – T4032:

- Weekly
- Bi-weekly
- Semi-monthly
- Monthly

The *Payroll Deductions Supplementary Tables* – T4008 provide the withholding amounts for 10, 13, 22, 27, 53 or 240 pay periods a year.

The following chart explains how to use the tables:

STEP	ACTION
1	Refer to the appropriate pay period table for your payroll frequency.
2	Look down the “Pay/Rémuneration” column and find the range containing the employee’s pensionable earnings for the pay period.
3	Locate the corresponding CPP contribution required.

Example:

Carole Lemieux works for The Wellness Centre in Ajax, Ontario. Carole is paid on a semi-monthly basis. The pensionable earnings per pay are $1,575.00. Following the above steps:

1 Refer to the generic table as illustrated below
2 Look down the pay column for the range that contains $1,575.00. In this case, the range is $1,574.82 - $1,575.02
3 Locate the CPP contribution of $70.74

Canada Pension Plan Contributions
Semi-monthly (24 pay periods a year)

Cotisations au Régime de pensions du Canada
Bimensuel (24 périodes de paie par année)

Pay Rémunération From - De	To - À	CPP RPC	Pay Rémunération From - De	To - À	CPP RPC	Pay Rémunération From - De	To - À	CPP RPC	Pay Rémunération From - De	To - À	CPP RPC
1542.10	1542.29	69.12	1556.64	1556.84	69.84	1571.19	1571.38	70.56	1585.73	1585.93	71.28
1542.30	1542.49	69.13	1556.85	1557.04	69.85	1571.39	1571.58	70.57	1585.94	1586.13	71.29
1542.50	1542.69	69.14	1557.05	1557.24	69.86	1571.59	1571.78	70.58	1586.14	1586.33	71.30
1542.70	1542.90	69.15	1557.25	1557.44	69.87	1571.79	1571.99	70.59	1586.34	1586.53	71.31
1542.91	1543.10	69.16	1557.45	1557.64	69.88	1572.00	1572.19	70.60	1586.54	1586.73	71.32
1543.11	1543.30	69.17	1557.65	1557.85	69.89	1572.20	1572.39	70.61	1586.74	1586.94	71.33
1543.31	1543.50	69.18	1557.86	1558.05	69.90	1572.40	1572.59	70.62	1586.95	1587.14	71.34
1543.51	1543.70	69.19	1558.06	1558.25	69.91	1572.60	1572.79	70.63	1587.15	1587.34	71.35
1543.71	1543.91	69.20	1558.26	1558.45	69.92	1572.80	1573.00	70.64	1587.35	1587.54	71.36
1543.92	1544.11	69.21	1558.46	1558.65	69.93	1573.01	1573.20	70.65	1587.55	1587.74	71.37
1544.12	1544.31	69.22	1558.66	1558.86	69.94	1573.21	1573.40	70.66	1587.75	1587.95	71.38
1544.32	1544.51	69.23	1558.87	1559.06	69.95	1573.41	1573.60	70.67	1587.96	1588.15	71.39
1544.52	1544.71	69.24	1559.07	1559.26	69.96	1573.61	1573.80	70.68	1588.16	1588.35	71.40
1544.72	1544.92	69.25	1559.27	1559.46	69.97	1573.81	1574.01	70.69	1588.36	1588.55	71.41
1544.93	1545.12	69.26	1559.47	1559.66	69.98	1574.02	1574.21	70.70	1588.56	1588.75	71.42
1545.13	1545.32	69.27	1559.67	1559.87	69.99	1574.22	1574.41	70.71	1588.76	1588.96	71.43
1545.33	1545.52	69.28	1559.88	1560.07	70.00	1574.42	1574.61	70.72	1588.97	1589.16	71.44
1545.53	1545.72	69.29	1560.08	1560.27	70.01	1574.62	1574.81	70.73	1589.17	1589.36	71.45
1545.73	1545.93	69.30	1560.28	1560.47	70.02	1574.82	1575.02	70.74	1589.37	1589.56	71.46
1545.94	1546.13	69.31	1560.48	1560.67	70.03	1575.03	1575.22	70.75	1589.57	1589.76	71.47
1546.14	1546.33	69.32	1560.68	1560.88	70.04	1575.23	1575.42	70.76	1589.77	1589.97	71.48
1546.34	1546.53	69.33	1560.89	1561.08	70.05	1575.43	1575.62	70.77	1589.98	1590.17	71.49
1546.54	1546.73	69.34	1561.09	1561.28	70.06	1575.63	1575.82	70.78	1590.18	1590.37	71.50
1546.74	1546.94	69.35	1561.29	1561.48	70.07	1575.83	1576.03	70.79	1590.38	1590.57	71.51
1546.95	1547.14	69.36	1561.49	1561.68	70.08	1576.04	1576.23	70.80	1590.58	1590.77	71.52
1547.15	1547.34	69.37	1561.69	1561.89	70.09	1576.24	1576.43	70.81	1590.78	1590.98	71.53
1547.35	1547.54	69.38	1561.90	1562.09	70.10	1576.44	1576.63	70.82	1590.99	1591.18	71.54

Payroll Deductions Online Calculator

The Payroll Deductions Online Calculator (PDOC) is available on the CRA’s website. Within PDOC, the exact salary is used to determine the statutory withholdings. In the publications *Payroll Deductions Tables* and *Payroll Deductions Supplementary Tables*, the midpoint of the salary range is used to determine the statutory withholdings. All the results are correct, but the PDOC calculations are more precise.

Example:

Carole Lemieux works for The Wellness Centre in Ajax, Ontario and is paid semi-monthly. The pensionable earnings per pay are $1,575.00.

Note: This is an example for illustration purposes only and is not based on current year rates.

Salary or wages income		1,575.00	
Total cash income			**1,575.00**
Taxable income for the pay period		1,575.00	
Pensionable earnings for the pay period		1,575.00	
Insurable earnings for the pay period		1,575.00	
Federal tax deduction	126.68		
Provincial tax deduction	68.45		
Total tax deductions on income		195.13	
CPP deductions		77.89	
EI deductions		24.89	
Total deductions			**297.91**
Net amount			**1,277.09**

PDOC is updated on January 1 each year and also when income tax changes occur during the year.

Manual Calculation Method

The *Payroll Deductions Tables* have the pay period exemption built into the calculations for CPP contributions. In the situations below, the calculation must be done manually rather than by using the tables:

- the employee's pensionable earnings are greater than the maximum in the tables
- the employee is paid by commission on an irregular basis
- the employee is receiving more than one payment in the pay period

The method for manually calculating the CPP contribution follows.

Step 1: Pay Period Exemption = $\dfrac{\text{Yearly Basic Exemption}}{\text{Pay Period Frequency}}$

Calculate the basic pay period exemption that applies to the pay frequency. To do this, divide the yearly basic exemption ($3,500.00) by the number of regular pay periods in the year; do not round this calculation.

Step 2: Contributory Earnings = Pensionable earnings - Pay Period Exemption

Subtract the result of Step 1 from the employee's pensionable earnings for the pay period.

Step 3: CPP Contribution = Contributory Earnings x Contribution Rate

Multiply the result of Step 2 by the current year's CPP contribution rate (5.70% for 2022). The result is the amount of contributions you should withhold from the employee. As an employer, you have to pay the same amount as your employee. Make sure you do not exceed the annual maximum contribution.

Example:

An employee has pensionable earnings of $2,000.00 per month. The CPP contribution calculation per pay period would be as follows:

Step 1

CPP Pay Period Exemption $= \dfrac{\text{Yearly Basic Exemption}}{\text{Pay Period Frequency}}$

$= \dfrac{\$3,500.00}{12}$

$= \$291.66$

Step 2

Contributory Earnings = Pensionable Earnings - Pay Period Exemption
= $2,000.00 - 291.66
= $1,708.34

Step 3

CPP Contribution = Contributory Earnings x Contribution Rate
= $1,708.34 x 0.0570
= $ 97.38

In summary:

Pensionable Earnings	$2,000.00
CPP Pay Period Exemption ($3,500 ÷ 12)	- 291.66
Contributory Earnings	$1,708.34
CPP Contribution Rate (5.70%)	× 0.0570
CPP Contribution – employee	**$ 97.38**
CPP Contribution – employer	**$ 97.38**

Employee Earning Over the Maximum Pay in the Tables

If an employee earns over the maximum dollar amount shown in the payroll deduction tables, the CPP contribution must be calculated using the manual method.

Example:

The employee's pensionable earnings for a bi-weekly pay period are $7,000.00, which is over the maximum in the payroll deduction tables. The CPP contribution would be manually calculated as follows:

Step 1

CPP Pay Period Exemption $= \dfrac{\text{Yearly Basic Exemption}}{\text{Pay Period Frequency}}$

$= \dfrac{\$3{,}500.00}{26}$

= $134.61

Step 2

Contributory Earnings = Pensionable Earnings - Pay Period Exemption
= $7,000.00 - 134.61
= $6,865.39

Step 3

CPP Contribution = Contributory Earnings x Contribution Rate
= $6,865.39 x 0.0570
= $391.33

In summary:

Pensionable Earnings	$7,000.00
CPP Pay Period Exemption ($3,500 ÷ 26)	- 134.61
Contributory Earnings	$6,865.39
CPP Contribution Rate (5.70%)	x 0.0570
CPP Contribution – employee	**$ 391.33**
CPP Contribution – employer	**$ 391.33**

An employee is Paid by Commission on an Irregular Basis

When an employee gets paid by commission and is paid only after selling something, the payments are not regular. In this case, the CPP exemption must be calculated based on the yearly basic exemption of $3,500.00 and the number of days in the calendar year since the last payment. The exemption is calculated using the number of days between commission payments paid in the same calendar year.

In the case of a leap year, 366 would be used as the number of days in the year. For this course, 365 days will be used.

Example:

Tracy Labonte a salesperson for Logan Industries is paid by commission on sales of the company's product. On June 1, Tracy was paid $2,400.00 in commissions. There were 73 days between this and the last commission payment.

$$\text{CPP exemption} = \frac{\text{Days between payments}}{\text{Number of days in the year}} \times \text{Yearly basic exemption}$$

$$= \frac{73}{365} \times \$3,500.00$$

$$= 0.20 \times \$3,500.00$$

$$= \$700.00$$

Pensionable Earnings	$2,400.00
CPP Exemption	- 700.00
Contributory Earnings	$1,700.00

When Tracy receives the next commission payment in the year, the exemption will be calculated based on the number of days since June 1. The exemption is not rounded.

If the last commission payment was in the previous year, the number of days between payments is limited to the number of days in the current year.

Example:

Jason Jacobs is also a salesperson for Logan Industries. He received a commission payment of $43,800.00 on December 19 of the previous year. He was paid $3,200.00 in commissions on May 27 of the current year. There were 146 days from January 1 to the date the commission was paid.

$$\text{CPP exemption} = \frac{\text{Days \textbf{in the year} prior to the current payment}}{\text{Number of days in the year}} \times \text{Yearly basic exemption}$$

$$= \frac{146}{365} \times \$3{,}500.00$$

$$= 0.40 \times \$3{,}500.00$$

$$= \$1{,}400.00$$

Pensionable Earnings	$3,200.00
CPP Exemption	- 1,400.00
Contributory Earnings	$1,800.00

Although Jason received a commission payment in December of the previous year, the number of days is limited to the number of days in the current year before the current payment.

More Than One Payment Per Pay Period

The figures contained in the payroll deduction tables already have the CPP pay period exemption built into them. For this reason, if issuing more than one payment within the same pay period, use the tables to calculate the CPP contribution for the first payment only. Calculate the CPP contribution for the second payment by multiplying the pensionable earnings by the CPP contribution rate, without applying an exemption. This will ensure that only one pay period exemption is applied for each pay period and that the yearly basic exemption is not exceeded.

Example:

An employee whose employment has been terminated is owed one week's vacation pay of $500.00, in addition to their regular pay. The CPP contribution on the separate payment of vacation pay would be calculated as follows:

Pensionable Earnings	$500.00
CPP Contribution Rate (5.70%)	x 0.0570
CPP Contribution – employee	**$ 28.50**
CPP Contribution – employer	**$ 28.50**

Another option would be to add the two payments together and then use either the Payroll Deduction Tables or the Payroll Deduction Online Calculator to determine the CPP contribution or manually calculate the contribution by reducing the total pensionable earnings by the pay period exemption and then applying the contribution rate.

Example:

An employee is being paid a bonus of $2,000.00 along with the regular monthly pay of $3,980.00. There is also a monthly non-cash taxable benefit of $20.00. The CPP contribution would be manually calculated as follows:

Regular pay	$3,980.00
Taxable benefit	20.00
Bonus	2,000.00
Pensionable Earnings	$6,000.00
CPP Pay Period Exemption ($3,500 ÷ 12)	- 291.66
Contributory Earnings	$5,708.34
CPP Contribution Rate (5.70%)	x 0.0570
CPP Contribution – employee	**$ 325.38**
CPP Contribution – employer	**$ 325.38**

Annual Maximum Contribution

Once the maximum contribution for the year has been withheld from the employee, no further CPP contributions would be required for the current year. It is important to monitor your payroll system to make sure CPP contributions stop once the employee has reached the maximum contribution for the year. If issuing an off-cycle manual payment to the employee, be sure to check the year-to-date CPP contributions so that you do not withhold any amounts over the annual maximum contribution.

Example:

The employee's pensionable earnings for a bi-weekly pay period is $4,000.00. The CPP contribution would be calculated manually as follows:

Step 1

CPP Pay Period Exemption $= \dfrac{\text{Yearly Basic Exemption}}{\text{Pay Period Frequency}}$

$= \dfrac{\$3{,}500.00}{26}$

$= \$134.61$

Step 2

Contributory Earnings	= Pensionable Earnings – Pay Period Exemption
	= $4,000.00 - 134.61
	= $3,865.39

Step 3

CPP Contribution	= Contributory Earnings x Contribution Rate
	= $3,865.39 x 0.0570
	= $220.33

In summary:

Pensionable Earnings	$4,000.00
CPP Pay Period Exemption ($3,500 ÷ 26)	- 134.61
Contributory Earnings	3,865.39
CPP Contribution Rate (5.70%)	x 0.0570
CPP Contribution – employee	**$ 220.33**
CPP Contribution – employer	**$ 220.33**

After 15 pays, this employee will have contributed $3,304.95. We must calculate the amount of CPP contributions on the 16th pay so that the employee does not contribute over the annual maximum contribution of $3,499.80.

CPP contributions on the first 15 pays ($220.33 x 15)	$3,304.95
CPP contribution on the 16th pay ($3,499.80 – 3,304.95)	194.85
	$3,499.80

This employee and the employer will only contribute $194.85 in CPP contributions on the 16th pay. No further CPP contributions from this employee would be required this year.

Content Review

- Pensionable earnings include salary, wages, and other remuneration paid as well as any taxable benefits, taxable allowances and taxable expense reimbursements paid or provided to employees.
- Both employees and employers have to make Canada Pension Plan (CPP) contributions. Employers match their employees' CPP contributions dollar for dollar and remit both portions to the Canada Revenue Agency (CRA).
- The *Payroll Deduction Tables* have the pay period exemption built into the calculations for CPP contributions; for this reason, the calculation must be done manually in certain situations.
- Once the maximum contribution for the year has been withheld from the employee, no further CPP contributions would be required for the current year.

Review Questions

6. Lily was handed a list of new workers and was asked to calculate the monthly Canada Pension Plan contributions for each worker, where applicable. Complete the questions, using the worksheets provided.

NAME	AGE	MONTHLY INCOME	JOB STATUS
Michael	25	$2,000.00	full-time
Steven	17	$1,000.00	full-time
Frank	32	$ 800.00	independent contractor
Jerry	72	$ 500.00	part-time
Ed	53	$ 500.00	permanent, part-time
John	40	$5,500.00	full-time

Question 6 worksheets:

a. Determine for which of the workers listed the employer must deduct Canada Pension Plan contributions.

	CONTRIBUTE		REASON
	YES	NO	
Michael			
Steven			
Frank			
Jerry			
Ed			
John			

b. Calculate January's employee and employer Canada Pension Plan (CPP) contributions for each employee who has pensionable earnings.

	MICHAEL	STEVEN	FRANK	JERRY	ED	JOHN
Pensionable Earnings						
CPP Pay Period Exemption						
Contributory Earnings						
CPP Contribution Rate						
CPP Contribution - employee						
CPP Contribution - employer						

c. Assume it is December and that this is the 12th pay for each of these employees. They have earned the same pensionable earnings in each month of the current year. Calculate the employee and employer Canada Pension Plan (CPP) contributions for each employee for December. (The current annual maximum employee Canada Pension Plan contribution is $3,499.80).

	MICHAEL	STEVEN	FRANK	JERRY	ED	JOHN
CPP contributions per pay						
Number of previous pays this year						
Total CPP contributions to date						
Balance to reach maximum ($3,499.80 for the current year less total CPP contributions to date)						
CPP Contribution - employee						
CPP Contribution - employer						

7. Neil Cheng is a salesperson for Lake City Printing. Neil is paid by commission only. Neil received a commission payment of $37,450.00 on September 1. There were 219 days between this payment and Neil's last commission payment.

   Calculate the Canada Pension Plan exemption to be applied to Neil's payment, the contributory earnings, and both the employee and employer's Canada Pension Plan contributions for this payment. Neil will not reach the annual maximum contribution on this pay.

Non-Regular Situations

Three situations require special consideration when calculating an employee's CPP contributions:

- prorating the annual CPP maximum contribution
- employees hired during the year
- mergers and acquisitions

Prorating the Canada Pension Plan Maximum Contribution

Prorating is the process required to calculate CPP contributions based on pensionable employment for only part of the year. The annual CPP maximum contribution for the year must be prorated when the employee:

- turns age 18
- turns age 70
- is considered to be disabled by Service Canada
- is at least 65 years of age and under the age of 70, in receipt of C/QPP retirement pension, and files an election to stop CPP contributions
- dies

The employee turns age 18
When an employee turns age 18, the employer must begin withholding CPP contributions the first pay of the month following the month in which the employee's 18th birthday falls.

The maximum contribution for the year has to be prorated for employees turning age 18 to reflect only those months that they were eligible to contribute.

Example:

Alan Singh turned age 18 on July 10th. The maximum annual CPP contribution would be the current year's maximum ($3,499.80) divided by 12 months, multiplied by the 5 months that he was eligible to contribute (August to December).

$$\text{Prorated CPP contribution} = \frac{\text{Current annual maximum contribution limit}}{12} \times \text{Number of months eligible to contribute}$$

$$= \frac{\$3{,}499.80}{12} \times 5$$

$$= \$291.65 \times 5$$

$$= \$1{,}458.25$$

Once Alan has had $1,458.25 in CPP contributions withheld from pay, no further CPP contributions should be deducted.

The employee turns age 70 or is considered to be disabled by Service Canada

When an employee turns age 70 or is considered to be disabled by Service Canada during the year, the employer must stop deducting CPP contributions the first pay of the month following the month the employee turned age 70 or was considered to be disabled.

An employee who continues to work after being considered to be disabled should provide their employer with a copy of the award letter from Service Canada stating that they will be receiving disability benefits. This letter is proof that contributions are no longer required. If the employee is late in providing the award letter, the employer can refund the over-contribution within the same taxation year.

The employer can recover their over-contribution by reducing the current year's remittances. Previous year's employer over-contribution can be refunded by completing a PD24 – Application for a Refund of Overdeducted CPP Contributions or EI Premiums form. The employee will receive a credit for their CPP contributions when they file their income tax return.

Example:

Ingrid Johannson turned age 70 on February 10^{th}. The annual maximum contribution would be the current annual maximum contribution ($3,499.80) divided by 12 months, multiplied by the two months (January and February) that the employee was eligible to contribute.

$$\text{Prorated CPP contribution} = \frac{\text{Current annual maximum contribution limit}}{12} \times \text{Number of months eligible to contribute}$$

$$= \frac{\$3{,}499.80}{12} \times 2$$

$$= \$291.65 \times 2$$

$$= \$583.30$$

If Ingrid had more than $ 583.30 in CPP contributions withheld from pay, the over-contribution should be refunded.

The employee is at least 65 years of age but under the age of 70, is receiving a C/QPP retirement pension and files an election to stop CPP contributions.

When a working employee is at least 65 years of age but under the age of 70 and is receiving a C/QPP retirement pension, they will have to contribute to the CPP as long as they are receiving pensionable earnings, unless they file an election to stop contributing.

Employees who wish to stop contributing to the CPP must meet all of the following criteria. The employee:

- is at least 65 years of age but under 70 years of age
- is in receipt of a CPP or QPP retirement pension
- has filed their election to stop contributing to the CPP with their employer and has sent a copy to the CRA using the CRA's form CPT30 – Election to Stop Contributing to the Canada Pension Plan, or Revocation of a Prior Election, and
- has not filed a revocation of a prior election with their employer during the current calendar year

Both employee and employer CPP contributions are required to be remitted as per the employer's remittance frequency. In other words, if an eligible employee does not choose to opt out and instead continues making CPP contributions, the employer must match their contributions and send both portions to the CRA.

Once employers receive a signed and completed CPT30 form from an eligible employee, they should stop deducting CPP contributions as of the first pay in the month following the month they receive the form.

Example:

Charles is 65 years of age and in receipt of a CPP retirement pension. A CPT30 election form was filed on April 15th to stop CPP contributions; the employer stopped deducting CPP contributions as of the first pay in May.

The maximum CPP contribution for the year would be the current annual maximum contribution, \$3,499.80, divided by 12 months, multiplied by the four months (January to April) that he was eligible to contribute.

$$\text{Prorated CPP contribution} = \frac{\text{Current annual maximum contribution limit}}{12} \times \text{Number of months eligible to contribute}$$

$$= \frac{\$3{,}499.80}{12} \times 4$$

$$= \$291.65 \times 4$$

$$= \$1{,}166.60$$

If Charles had more than \$1,166.60 in CPP contributions withheld from pay, the over-contribution should be refunded to him. The employer could recover its overpayment by reducing its next remittance to the CRA.

The employee dies

When an employee dies, the annual maximum contribution is prorated over the number of months before and including the month of the death. Any refund owing to the deceased employee resulting from this prorating is made payable to the estate of the employee.

Example:

Helen Tsang died on September 30th. The maximum yearly contribution of $3,499.80 for the current year had already been deducted. The annual maximum contribution must be prorated over the nine months up to and including the month of death (January to September of the current year).

$$\text{Prorated CPP contribution} = \frac{\text{Current annual maximum contribution limit}}{12} \times \text{Number of months eligible to contribute}$$

$$= \frac{\$3{,}499.80}{12} \times 9$$

$$= \$\,291.65 \times 9$$

$$= \$2{,}624.85$$

Helen's contribution	$3,499.80
Prorated maximum contribution	- 2,624.85
Helen's over-contribution	$ 874.95

Helen's over-contribution of $ 874.95 should be refunded to the estate. The employer could also recover its overpayment by reducing its next remittance to the CRA. If the over-contribution occurred in a previous year, the employer could recover the overpayment by completing form PD24.

Canada Pension Plan (CPP) Contributions for a New Hire

If an employee leaves one employer during the year to start work with another employer, the new employer has to deduct CPP contributions without taking into account what the employee's previous employer had withheld. This applies even if the employee had already paid the maximum amount during the previous employment. When the employee files their income tax return the following year, they will receive a refund of any over-contribution. The new employer, however, is not entitled to any refund of their employer portion based on the employee's overpayment.

In the case where there is an undue hardship to the employee for having to pay the extra contributions, the employee may request a letter from the Canada Revenue Agency Tax Services Office waiving the equivalent amount of income tax withholdings. Note that this letter of waiver does not affect the payment of employee or employer CPP contributions.

Mergers and Acquisitions

If one employer, with the agreement of the former employer or by operation of law, immediately succeeds another employer as the employer of an employee as a result of:

- the formation of a corporation
- the dissolution of a corporation, or
- the acquisition of all or part of a business

then the new employer may consider the amounts deducted, remitted or paid under the Canada Pension Plan by the former employer for the year for the employees as if they had been deducted, remitted, or paid by the new employer.

If you are not sure whether CPP contributions are payable in a particular restructuring or succession of employers situation, you can ask the Canada Revenue Agency (CRA) for a ruling.

Content Review

- The annual Canada Pension Plan (CPP) maximum contribution for the year must be prorated when the employee:
  - turns age 18
  - turns age 70
  - is considered to be disabled by Service Canada
  - is at least 65 years of age and under the age of 70, in receipt of C/QPP retirement pension, and files an election to stop CPP contributions
  - dies
- If an employee leaves one employer during the year to start work with another employer, the new employer has to deduct CPP contributions without taking into account what the employee's previous employer had withheld.
- Employers are not required to re-start the employees' CPP contributions in the case of a merger or an acquisition.

Review Questions

8. Jennifer Alexander turned age 18 on September 14.

   a. When will Canada Pension Plan contributions commence?

   b. Calculate Jennifer's prorated annual maximum Canada Pension Plan contribution, showing all work.

9. Grant Trudel was considered to be disabled by Service Canada in May.

   a. When will Canada Pension Plan contributions cease?

   b. Calculate Grant's prorated annual maximum Canada Pension Plan contribution, showing all work.

10. True or False. If an employee leaves one employer during the year to start work with another employer, the new employer can take into account what the employee's previous employer withheld in Canada Pension Plan contributions.

11. Mary Smith had applied for Canada Pension Plan (CPP) retirement pension benefits which began at age 65 in March. Mary called the payroll department in August of the same year to ask why they were still being deducting Canada Pension Plan contributions. Explain what your response to Mary would be and what actions you would take.

Employment Insurance Requirements

Employment Insurance (EI) premiums are calculated on, and deducted from, an employee's insurable earnings, which are insurable salary, wages, cash allowances and other remuneration paid to an employee, up to their **maximum insurable earnings (MIE).** The Canada Revenue Agency (CRA) is responsible for determining what is considered insurable employment and which earnings are insurable. A list of insurable employment and insurable earnings will follow. This information can also be found in the *Employers' Guide – Payroll Deductions and Remittances* – T4001, which is published by the CRA annually and can be downloaded from their website.

Employment Insurance premiums are required under government legislation or statutes. Therefore they are statutory deductions and are the second deduction after Canada Pension Plan (CPP) contributions.

Determination of Insurable Earnings

Each year, Employment and Social Development Canada (ESDC) determines:

- an annual maximum insurable earnings (MIE) amount on which the employer calculates Employment Insurance premiums
- a premium rate employers use to calculate the amount of Employment Insurance to deduct from employees.

The employee's premium is calculated by multiplying the insurable earnings by the premium rate. Both employees and employers must pay EI premiums. The employer premium is calculated by multiplying the employee contribution by an assigned multiplier. The default employer multiplier is 1.4 times the employees' premiums. Employers remit both portions to the CRA.

For 2022:

Maximum Insurable Earnings (MIE)	A	$60,300.00
Employee EI Premium Rate (except in Québec)*	B	1.58%
Annual Maximum Employee Premium for EI (A x B)	C	$952.74
Employer Rate to apply to Employee Premium	D	1.4
Annual Maximum Employer Premium for EI (C x D)	E	$1,333.84

*The EI premium rate for Québec employees is 1.20% and will be discussed later in this course.

EI premiums must be withheld from employees as of the first insurable dollar earned; there is no exemption for EI purposes, so the calculation is the same for all pay period frequencies. Once an employer has deducted the maximum premiums for the year, no further EI premiums should be withheld for that year.

Some employers have applied for and been granted, a reduced employer rate of less than 1.4 times the employee's premium. To qualify for a reduced rate, an employer must maintain a short term disability plan (STD), which reduces employment insurance benefits payable to individuals by Service Canada under certain circumstances. Further information on the employer premium reduction program is provided later in this chapter.

Unlike CPP contributions, there are no age restrictions on the withholding of EI premiums. As a result, regardless of an employee's age, EI premiums are withheld on all insurable earnings earned through insurable employment.

Who Must Pay Employment Insurance Premiums

Employers and employees have to pay EI premiums on insurable earnings and allowances from insurable employment. Most cash allowances given to employees (for example, a car allowance) are also insurable. Information on the insurability of different types of employment and payments follows.

Types of Employment Subject to Employment Insurance Premiums

Insurable employment includes most employment in Canada under a contract of service (where an employee-employer relationship exists). Some employment outside Canada is also insurable. Certain workers who are not employees might be considered to be in insurable employment. Examples of such workers are taxi and other passenger-vehicle drivers, barbers, hairdressers, and fishers.

The information that follows describes the types of employment, as well as the types of payments that are and that are not subject to EI premiums. This information can also be found in the *Employers' Guide – Payroll Deductions and Remittances* – T4001, which is published by the CRA.

Types of Employment Not Subject to Employment Insurance Premiums

The following are some of the types of employment that are exempted by legislation and are not insurable. Any monies paid for these types of employment are therefore not subject to EI premiums, even though there may be a valid contract of service.

- casual employment, if it is for a purpose other than the employer's usual trade or business
- employment where the employer and the employee are not dealing with each other at arm's length. Essentially this covers family connections (blood relationship, marriage, common-law relationship or adoption); however, if the terms and conditions of employment of a related person are such that a similar contract would have been negotiated with any other person, the related person will be considered to be dealing at arm's length. Rulings can be requested where an employer is not sure whether or not to deduct EI premiums in this situation.

- employment by a corporation of a person who controls more than 40% of the corporation's voting shares
- employment that constitutes an exchange of work or service
- employment in Canada under an exchange program if the employee is not remunerated by a Canadian employer
- employment of a member of a religious order who has taken a vow of perpetual poverty and whose remuneration is paid either directly to the order or by the member to that order
- employment of a person in a rescue operation, as long as that person is not regularly employed by that employer

Information on other less common types of exempted employment can be found in the CRA's publication *Employers' Guide – Payroll Deductions and Remittances* – T4001.

Payments and Benefits Subject to Employment Insurance Premiums

Most earnings (including controlled tips) and allowances that an employer pays completely or partly in cash to an employee are insurable. Employer contributions to employees' registered retirement savings plan (RRSP), when paid to the financial institution, not the employee, are considered to be a cash taxable benefit to the employee and are therefore insurable. As a result, you have to deduct EI premiums from these amounts. In cases where the employees cannot withdraw amounts from the group RRSP until they retire or cease to be employed, the employer's contributions are not insurable. Also, benefits paid under certain wage-loss replacement plans (WLRPs) are considered insurable earnings (using the same criteria as explained under CPP).

Payments and Benefits Not Subject to Employment Insurance Premiums

For the most part, the CRA determines that non-cash taxable benefits are not considered insurable. EI premiums should not be deducted from the following types of payments or benefits.

- all non-cash taxable benefits, except the value of board and lodging, received in a period if paid cash for the pay period
- employer contributions to an employee's RRSP where the employee cannot withdraw amounts from the plan until they retire or cease to be employed
- a retiring allowance or severance pay
- director's fees (unless paid to a director of a crown corporation listed in Schedule III of the *Financial Administration Act*)
- monies earned (salary, banked overtime, bonus, vacation, etc.) before the death of an employee and not yet paid at the time of death
- a supplement for any part of an Employment Insurance maternity, parental or compassionate care benefit period

- WLRP benefits paid under a contract of insurance
- a payment by an employer under a Supplementary Unemployment Benefit plan (SUBP)
- an advance or loan, equal to the workers' compensation award, paid to employees before or after the workers' compensation board claim is decided
- a top-up amount you pay to an employee in addition to the workers' compensation award paid by a workers' compensation board if you pay it after the claim is accepted by the workers' compensation board

Employment Insurance Premium Calculations

Regular Pay Periods

EI premiums can be found in the *Payroll Deductions Tables*. As there are no pay period exemptions to apply as there are with CPP contributions, there is only one section for insurable earnings; there is no separation by pay period frequency. The following steps explain how to use the tables:

STEP	ACTION
1	Look down the "Insurable Earnings" column and find the range containing the employee's insurable earnings for the pay period.
2	Locate the corresponding EI premium required.

Example:

George Roy works part-time for Marcie's Coffee Shop. He is paid weekly and on the pay ending July 21, George worked 9.0 insurable hours and had $90 in insurable earnings for the pay period. Following the above steps:

1. Look down the "Insurable Earnings" column and find the range that contains $90.00. In this case, the range is $89.46 - $90.06
2. Locate the EI premium of $1.49

Employment Insurance Premiums

Insurable Earnings		EI	Insurable Earnings		EI	Insurable Earnings		EI	Insurable Earnings		EI
From	To	premium	From	To	premium	From	To	premium	From	To	premium
.00	.90	.01	43.68	44.27	.73	87.05	87.65	1.45	130.43	131.02	2.17
.91	1.50	.02	44.28	44.87	.74	87.66	88.25	1.46	131.03	131.62	2.18
1.51	2.10	.03	44.88	45.48	.75	88.26	88.85	1.47	131.63	132.23	2.19
2.11	2.71	.04	45.49	46.08	.76	88.86	89.45	1.48	132.24	132.83	2.20
2.72	3.31	.05	46.09	46.68	.77	89.46	90.06	1.49	132.84	133.43	2.21
3.32	3.91	.06	46.69	47.28	.78	90.07	90.66	1.50	133.44	134.03	2.22
3.92	4.52	.07	47.29	47.89	.79	90.67	91.26	1.51	134.04	134.64	2.23
4.53	5.12	.08	47.90	48.49	.80	91.27	91.86	1.52	134.65	135.24	2.24
5.13	5.72	.09	48.50	49.09	.81	91.87	92.46	1.53	135.25	135.84	2.25

Note:
The payroll deduction tables and online tools used as illustrations throughout this chapter are not necessarily those of the current year.

Employee EI premiums can also be manually calculated by multiplying the employee's insurable earnings, up to the annual maximum insurable earnings for the year, by the EI premium rate. The EI premium rate for 2022 is 1.58%.

Example:

Terri Fraser works 20 hours and has insurable earnings of $800.00 for the week. Terri's year-to-date insurable earnings are $32,000.00 (40 weeks).

Insurable earnings	$800.00
EI premium rate (1.58%)	x 0.0158
Employee's EI Premiums	**$ 12.64**
Employer's EI Premiums ($12.64 x 1.4)	**$ 17.70**

Example:

Frank Lasalle works 75 hours in the bi-weekly pay period and earns $30.00 an hour. He also receives a $100.00 car allowance each pay. Employment Insurance premium calculations are the same, regardless of the pay period frequency.

Insurable earnings (75 x $30.00)	$2,250.00
Car allowance	100.00
Total insurable earnings	$2,350.00
EI premium rate (1.58%)	x .0158
Employee's EI Premiums	**$ 37.13**
Employer's EI Premiums ($37.13 x 1.4)	**$ 51.98**

Annual Maximum Premium

Once the maximum premium for the year has been withheld from the employee, no further EI premium deductions would be required for the current year. It is important to monitor your payroll system to make sure EI premiums stop once the employee reaches the maximum deduction for the year.

Example:

Jean Lamont works 30 hours per week and has insurable earnings of $1,645.00 for the week. The year-to-date (YTD) insurable earnings are $59,220.00 (36 weeks in the current year) and the year-to-date EI premiums deducted are $935.64 ($1,645.00 x 0.0158 = $25.99 x 36).

Annual maximum employee premium	$952.74
Employee YTD premiums	- 935.64
Balance to reach maximum	$ 17.10

Insurable earnings this pay period	$1, 645.00
EI premium rate (1.58%)	x 0.0158
EI premiums	$25.99

Jean will only pay EI premiums of $17.10 on the next pay to reach the annual premium maximum.

Employee's EI Premiums	**$17.10**
Employer's EI Premiums ($17.10 x 1.4)	**$23.94**

If issuing a payment to an employee between regular payrolls, be sure to check the year-to-date EI premiums so that you do not withhold any amounts over the maximum.

Example:

It's the first pay of the year and the executives received their annual bonuses. Maria Lopez receives a salary of $5,500.00 plus a bonus of $55,000.00. All of the monies received are insurable but the premium will only be calculated on the insurable earnings up to the annual maximum of $60,300.00 . In this case, Maria will have paid the entire year's premiums on the first pay of the year.

Insurable earnings this pay	$60,300.00
Insurable earnings for premium calculation	$60,300.00
EI premium rate (1.58%)	x 0.0158
EI premiums	$ 952.74
Employee's EI Premiums	**$952.74**
Employer's EI Premiums ($952.74 x 1.4)	**$1,333.84**

Non-Regular Situations

Employment Insurance (EI) Premiums for a New Hire

Similar to the handling of CPP contributions, if an employee leaves one employer during the year to start work with another employer, the new employer has to deduct EI premiums without taking into account what the employee's previous employer had withheld. For example, an employee was working for organization "A" and paid the maximum EI premium by July. In September the employee left organization "A" to work for organization "B". Even though the employee had already paid the yearly maximum they would start to have EI premiums deducted again with organization "B". When the employee files their T1 income tax return, the employee will be entitled to a refund of any overpaid EI premiums. The employer is not entitled to a refund of their portion of EI premiums.

In the case where there is an undue hardship to the employee for having to pay the extra premiums, the employee may request a letter from the Canada Revenue Agency Tax Services Office waiving the equivalent amount of income tax withholdings. Make note that this letter of waiver does not affect the payment of employer or employee EI premiums.

Mergers and Acquisitions

If one employer, with the agreement of the former employer or by operation of law, immediately succeeds another employer as the employer of an employee as a result of:

- the formation of a corporation
- the dissolution of a corporation
- the acquisition of all or part of a business

the new employer may consider the amounts deducted, remitted or paid under the *Employment Insurance Act* by the former employer for the year for the employees as if they had been deducted, remitted, or paid by the new employer.

If you are not sure whether EI premiums are payable in a particular restructuring or succession of employers situation, you can ask the Canada Revenue Agency (CRA) for a ruling.

Employment Insurance Premium Reduction Program

Employers who provide their employees with disability coverage for short-term illness or injury may be eligible to use a reduced multiplier to calculate the employer Employment Insurance (EI) premium.

The **Employment Insurance Premium Reduction Program** allows employers to pay EI premiums at a reduced rate if their employees are covered by a short-term disability (STD) plan that meets certain requirements set by Service Canada.

The program was introduced in 1971, at the time the federal government began to offer sickness benefits through the EI program. To limit the cost of providing the benefits, the government required that employees covered by employer short-term disability plans use up their employer benefits before accessing EI sickness benefits. To ensure employers with existing short-term disability plans did not cancel them with the introduction of the sickness benefits, the federal government created the premium reduction program to reward employers with plans.

To participate in the EI Premium Reduction Program, employers must provide coverage for STD to their employees and meet the standards established by the EI Regulations. An employer’s STD plan provides a reduced level of income to the employee if they are off work as a result of illness or injury. The plan can be offered through the employer’s insurance benefit carrier or can be funded by the employer.

If the level of income provided by the plan meets or exceeds the EI benefits available, the employee would not file a claim for benefits under the EI program; they would be paid by the employer's plan. As this plan would eliminate an employee's claim for EI benefits, Service Canada will grant the employer an EI multiplier less than the standard 1.4 times the employees' premiums.

To benefit from a reduced employer premium, an employer has to apply for the reduction by:

- completing Form NAS-5022, Application for Employment Insurance Premium Reduction, available on the Service Canada website, or requesting the reduction in writing using the organization's letterhead
- submitting evidence of the organization's commitment to provide a short-term disability plan to the employees and to share the employee's portion of the savings

Employers who are participating in the program do not need to complete renewal applications each year. Once an employer has been granted a premium reduction, their participation in the program will automatically continue until they change or cancel their STD plan. Employers who have been granted a premium reduction will receive a yearly notice indicating the reduced EI multiplier for the plan, approved according to the information on file.

Employers who qualify and are approved for a premium reduction are required to:

- advise Service Canada of any change to the STD plan within 30 days of the effective date of the change
- report the income earned by employees covered under the plan under a different Payroll Program Account Number from those who are not covered by the plan, which entails filing separate T4 Summaries and remitting source deductions under separate account numbers
- share at least 5/12 of the savings with the employees to whom the reduced rate applies

Concerning the 5/12 sharing, the legislation does not specify how employers must share 5/12 of their savings; however, employers must be prepared to satisfy Service Canada that they have met this obligation in the year of the savings or within the first four months of the following year. Some examples of acceptable sharing arrangements are as follows:

- cash rebate (in which case this money is fully pensionable, insurable and taxable)
- increased or new employee benefits such as a dental plan, group life insurance, payment to employees' benevolent fund or association, lowering prices in the staff cafeteria, more holidays or time off

Example:

An employer would calculate the amount to be shared as follows:
(Note: this reduced multiplier of 1.262 is for illustration purposes).

EI Premiums – employees	$20,000.00
EI Premiums – employer unreduced premium ($20,000.00 x 1.4)	$28,000.00
EI Premiums – employer reduced premium ($20,000.00 x 1.262)	$25,240.00
Employer Savings – ($28,000.00 - $25,240.00)	$2,760.00
Employer Savings x 5/12 = Employees' Share	$2,760.00
	x 5
	$13,800.00
	÷ 12
	$1,150.00

The $1,150.00 would have to be shared with the employees.

Content Review

- Employment Insurance (EI) premiums are based on insurable salary, wages, cash allowances and other remuneration paid to an employee.
- Both employees and employers must pay EI premiums. The employee's premium is calculated by multiplying the insurable earnings by the premium rate. The default employer multiplier is 1.4 times the employees' premiums. Employers remit both portions to the CRA.
- Once an employer has deducted the maximum premiums for the year, no further EI premiums should be withheld for that year.
- Insurable employment includes most employment in Canada under a contract of service (where an employee-employer relationship exists). Some employment outside Canada is also insurable.
- Employers are not required to re-start EI premiums if the organizational structure changes as a result of mergers or acquisitions, provided the employees' work is continuous.
- Short-term disability plans that have been approved by Service Canada allow the employer's EI multiplier to be reduced (less than 1.4 times the employee's premiums).
- Employers are required to return 5/12 of the savings from the premium reduction to all employees to whom the reduced rate applies.

Review Questions

12. Keith Tucker earns $2,000.00 in insurable earnings on a bi-weekly basis. Calculate the Employment Insurance (EI) premiums to be withheld from the next pay as well as the employer's premium. Keith will not reach the maximum annual EI premiums on this pay. The employer does not offer a wage loss reduction plan to the employees.

13. Alex has had $ 948.00 deducted in Employment Insurance premiums to date. What would be the withholding for Employment Insurance on the next bi-weekly pay of $3,750.00? Also show the employer's premium, assuming the employer has a reduced Employment Insurance premium rate of 1.27.

14. Joanne Keating, who is paid $2,200.00 bi-weekly, also receives the following in addition to the regular salary each pay: a group term life insurance non-cash taxable benefit of $6.50 and a taxable cash car allowance of $250.00. Calculate Joanne's Employment Insurance premium. The annual maximum for EI premiums will not be reached with this payment. Also show the employer's premium, assuming a reduced employer premium rate of 1.208.

15. Indicate whether the following are subject to Employment Insurance premiums by indicating ‘yes’ or ‘no’ in the appropriate box.

	YES	NO	
a)			retiring allowance
b)			supplement for any part of an employment insurance maternity, parental or compassionate care benefit period
c)			bonus paid to an employee
d)			cash moving allowance
e)			non-cash taxable benefit for stock options

The Record of Employment

The Record of Employment (ROE) is a form employers must complete for each employee who has an interruption of insurable employment, according to Employment and Social Development Canada (ESDC) and Service Canada criteria.

Service Canada considers the ROE the single most important document produced by payroll as it uses the employment history information on the ROE to decide:

- if a person qualifies for Employment Insurance (EI) benefits
- what the benefit amount should be
- how long a person is eligible for these benefits

There are two ROE formats available – electronic and paper.

Electronic ROEs are submitted to Service Canada using one of these methods:

- through ROE Web using compatible payroll software to upload ROEs from the organization's payroll system
- through ROE Web manually entering data online through Service Canada's website
- through Secure Automated Transfer (SAT), which may be performed by a payroll service provider using bulk transfer technology

The paper ROE is a three part form: the first is the original and the second and third are copies. The copies are distributed as follows:

- copy 1 is given to the employee to submit to Service Canada if they file for EI benefits
- copy 2 is sent to Service Canada
- copy 3 is kept by the employer for their records; to comply with records retention legislation, it must be securely stored for six years after the year to which the information relates

Paper ROE forms are identified by serial numbers and employers should maintain control of the ROE forms by recording the serial numbers of all blank forms and keeping a log of deleted or distributed forms.

A warning is given by Service Canada that states, "It is a serious offence to misrepresent the reason for issuing an ROE. If you enter a false or misleading reason for issuing an ROE, you may be subject to fines or prosecution."

Form Issuance

Whether or not the employee intends to file a claim for EI benefits, the ROE must be issued:

- each time an employee experiences an interruption of earnings, or
- when Service Canada requests one

An interruption of earnings occurs in the following situations:

- When an employee has had or is anticipated to have, seven (7) consecutive calendar days with no work and no insurable earnings from the employer. This is called the seven-day rule.
- When an employee's salary falls below 60% of regular weekly earnings because of illness, injury, quarantine, pregnancy, the need to care for a newborn or a child placed for adoption, the need to provide care or support of a family member who is gravely ill with a significant risk of death or the need to provide care or support for a critically ill or injured child or adult.

Example:

Using the current year calendar provided in the Student Information Guide, for the week ending August 10, Wheeler Industries issued Records of Employment for the following employees:

Meredith Jackson:	started leave on August 3 for 12 months unpaid maternity leave
Phil Campbell:	was injured playing soccer on August 5 and will be off work for three months unpaid sick leave
Francine Rivard:	requested, and was approved for, an unpaid eight week compassionate care leave to take care of a parent beginning August 6
Rita Romano:	employment was terminated effective August 7, after two months of employment

The deadline for issuing an ROE depends on the format used, electronic or paper.

If filing electronically, employers with a weekly, bi-weekly or semi-monthly pay cycle have five calendar days after the end of the pay period in which there was an interruption of earnings to issue the electronic ROE.

If the pay cycle is monthly, or every four weeks, employers must issue electronic ROE forms on the earlier of:

- five (5) calendar days after the end of the pay period when the interruption of earnings begins, and
- 15 calendar days after the first day of the interruption of earnings

When filing a paper ROE, an employer must issue the ROE within five calendar days of the first day of an interruption of earnings or the date the employer becomes aware of the interruption.

Tracking Insurable Earnings

Even though there are annual maximum insurable earnings to calculate EI premiums, it is necessary to track all insurable earnings for employees, even those whose earnings are over the annual maximum. This is required to properly complete Blocks 15B, 15C (when necessary) and Block 17 of the ROE.

Tracking Insurable Hours

Hours of work are used to determine:

- if individuals are entitled to EI benefits and, if so,
- how long they may collect EI benefits

It is the responsibility of the employer to maintain accurate records and be able to report the total hours of insurable employment.

An **insurable hour** is considered an hour worked and paid within insurable employment. This is regardless of the fact that the hour of work may have been paid at a higher rate of pay.

Not all employees are paid by the hour. For employees who are paid a fixed salary for a pay period, the employee-employer contract would need to be reviewed. If the employee is expected to work for a fixed number of hours to receive their salary, then those are the hours that will be recorded as insurable hours. In a situation where the employee works more than the contracted amount, only the contracted amount is reported, unless the employee is paid for the extra hours.

Example:
An employee is paid a salary of $500.00 a week and is expected to work 37.5 hours. Due to some extra work that came in, the employee worked an extra 2.5 hours but was not remunerated for them. For ROE reporting purposes, only 37.5 hours are recorded.

In the case where there are no set hours of work for the pay, such as in piecework, then the employee and employer can agree upon a reasonable number of hours. The keyword here is *reasonable*. Hours that are unreasonably high for the remuneration will be questioned.

Examples of the electronic and paper ROEs are shown on the following pages.

Record of Employment Forms

ELECTRONIC

Service Canada

THE GUIDE - HOW TO COMPLETE THE RECORD OF EMPLOYMENT, PROVIDES DETAILED INSTRUCTIONS.

Protected when completed - B

RECORD OF EMPLOYMENT (ROE)

1 SERIAL NO.

2 SERIAL NO. OF ROE AMENDED OR REPLACED

3 EMPLOYER'S PAYROLL REFERENCE NO.

4 EMPLOYER'S NAME AND ADDRESS

5 CRA BUSINESS NUMBER (BN)

6 PAY PERIOD TYPE

7 POSTAL CODE

8 SOCIAL INSURANCE NO.

9 EMPLOYEE'S NAME AND ADDRESS

10 FIRST DAY WORKED D M Y

11 LAST DAY FOR WHICH PAID D M Y

12 FINAL PAY PERIOD ENDING DATE D M Y

13 OCCUPATION

14 EXPECTED DATE OF RECALL D M Y
☐ UNKNOWN ☐ NOT RETURNING

15A TOTAL INSURABLE HOURS ACCORDING TO CHART ON PAGE 2

15B TOTAL INSURABLE EARNINGS ACCORDING TO CHART ON PAGE 2 $

15C THE FIRST ENTRY MUST RECORD THE INSURABLE EARNINGS FOR THE FINAL (MOST RECENT) INSURED PAY PERIOD. ENTER DETAILS BY PAY PERIOD AS PER THE CHART ON PAGE 2.

P.P.	INSURABLE EARNINGS	P.P.	INSURABLE EARNINGS	P.P.	INSURABLE EARNINGS
1		2		3	
4		5		6	
7		8		9	
10		11		12	
13		14		15	
16		17		18	
19		20		21	
22		23		24	
25		26		27	
28		29		30	
31		32		33	
34		35		36	
37		38		39	
40		41		42	
43		44		45	
46		47		48	
49		50		51	
52		53			

16 REASON FOR ISSUING THIS ROE

FOR FURTHER INFORMATION, CONTACT

TELEPHONE NO.

17 ONLY COMPLETE IF PAYMENT OR BENEFITS (OTHER THAN REGULAR PAY) PAID IN OR IN ANTICIPATION OF THE FINAL PAY PERIOD OR PAYABLE AT A LATER DATE.

A - VACATION PAY $
START DATE (D/M/Y): END DATE (D/M/Y):

B - STATUTORY HOLIDAY PAY FOR

D M Y		D M Y	
	$		$
	$		$
	$		$
	$		$
	$		$

C - OTHER MONIES (SPECIFY)

$
START DATE (D/M/Y): END DATE (D/M/Y):

$
START DATE (D/M/Y): END DATE (D/M/Y):

$
START DATE (D/M/Y): END DATE (D/M/Y):

18 COMMENTS

19 PAID SICK/MATERNITY/PARENTAL/COMPASSIONATE CARE LEAVE OR GROUP WAGE LOSS INDEMNITY PAYMENT

	START DATE D M Y	END DATE D M Y	AMOUNT	PER DAY	PER WEEK
PSL			$	☐	☐
WLI			$	☐	☐
MAT/PAR/CC			$	☐	☐

20 COMMUNICATION PREFERRED IN
☐ English ☐ French

21 TELEPHONE NO.

22 I AM AWARE THAT IT IS AN OFFENSE TO MAKE FALSE ENTRIES AND HEREBY CERTIFY THAT ALL STATEMENTS ON THIS FORM ARE TRUE.

Name of Issuer

D M Y

INS 5220 (05-12) E
Version 8.9.4

Service Canada delivers Human Resources and Skills Development Canada programs and services for the Government of Canada.

Canada

Page 2 contains important information.

Ce formulaire est également disponible en français

PAPER

Human Resources Development Canada | Développement des ressources humaines Canada

RECORD OF EMPLOYMENT (ROE)

Protected when completed - B

1 SERIAL NO.

2 SERIAL NO. OF ROE AMENDED OR REPLACED

3 EMPLOYER'S PAYROLL REFERENCE NO.

4 EMPLOYER'S NAME AND ADDRESS

5 CCRA's BUSINESS NO. (BN)

6 PAY PERIOD TYPE

7 POSTAL CODE

8 SOCIAL INSURANCE NO.

9 EMPLOYEE'S NAME AND ADDRESS

10 FIRST DAY WORKED (OR FIRST DAY WORKED SINCE LAST ROE ISSUED) D M Y

11 LAST DAY FOR WHICH PAID D M Y

12 FINAL PAY PERIOD ENDING DATE D M Y

13 OCCUPATION

14 EXPECTED DATE OF RECALL ☐ UNKNOWN ☐ NOT RETURNING D M Y

15A TOTAL INSURABLE HOURS ACCORDING TO CHART ON REVERSE

15B TOTAL INSURABLE EARNINGS ACCORDING TO CHART ON REVERSE $

16 REASON FOR ISSUING THIS ROE ▶ ENTER CODE

FOR FURTHER INFORMATION, CONTACT

TELEPHONE NO. ▶ ( )

15C **ONLY COMPLETE IF** THERE HAS BEEN A PAY PERIOD WITH NO INSURABLE EARNINGS. COMPLETE ACCORDING TO CHART ON REVERSE.

P.P.	INSURABLE EARNINGS	P.P.	INSURABLE EARNINGS	P.P.	INSURABLE EARNINGS
1		2		3	
4		5		6	
7		8		9	
10		11		12	
13		14		15	
16		17		18	
19		20		21	
22		23		24	
25		26		27	

17 **ONLY COMPLETE IF** PAYMENTS OR BENEFITS (OTHER THAN REGULAR PAY) PAID IN OR IN ANTICIPATION OF THE FINAL PAY PERIOD OR PAYABLE AT A LATER DATE.

A - VACATION PAY $

B - STATUTORY HOLIDAY PAY FOR D M Y $ / $ / $

C - OTHER MONIES (SPECIFY) $ / $ / $

18 COMMENTS

19 **ONLY COMPLETE IF** PAID SICK/MATERNITY/PARENTAL LEAVE OR GROUP WAGE LOSS INDEMNITY PAYMENT (AFTER THE LAST DAY WORKED).

PAYMENT START DATE D M Y

AMOUNT $

☐ PER DAY ☐ PER WEEK

20 COMMUNICATION PREFERRED IN ☐ ENGLISH ☐ FRENCH

21 TELEPHONE NO. ( )

22 I AM AWARE THAT IT IS AN OFFENCE TO MAKE FALSE ENTRIES AND HEREBY CERTIFY THAT ALL STATEMENTS ON THIS FORM ARE TRUE.

SIGNATURE OF ISSUER

NAME OF ISSUER (please print)

DATE D M Y

INS-2106-11-02E

Canada

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Content Review

- Service Canada uses the employment history information on the Record of Employment (ROE) to decide:
    - if a person qualifies for Employment Insurance (EI) benefits
    - what the benefit amount should be
    - how long a person is eligible for these benefits
- An employer must issue an ROE to an employee when an interruption of earnings occurs. An interruption of earnings occurs in the following situations:
    - When an employee has had or is anticipated to have, seven (7) consecutive calendar days with no work and no insurable earnings from the employer. This is called the seven-day rule.
    - When an employee's salary falls below 60% of regular weekly earnings because of illness, injury, quarantine, pregnancy, the need to care for a newborn or a child placed for adoption, the need to provide care or support of a family member who is gravely ill with a significant risk of death or the need to provide care or support for a critically ill or injured child or adult.
- Whether or not the employee intends to file a claim for EI benefits, the ROE must be issued:
    - each time an employee experiences an interruption of earnings, or
    - when Service Canada requests one
- Employers must track all insurable earnings for employees, even those whose earnings are over the annual maximum.

Review Questions

16. What is the Record of Employment (ROE) and what is it used for?

17. When does an interruption of earnings occur?

Chapter Review Questions and Answers

1. Canada Pension Plan contributions must be withheld from which of the following:

   a. employees in pensionable employment who have reached the age of 18 but are under the age of 70
   b. all employees who are paid a salary
   c. employees who are considered to be disabled by either Service Canada or Retraite Québec

   Answer: a
   b. is incorrect – some employees who earn a salary, such as employees under the age of 18, do not make contributions to the Canada Pension Plan.
   c. is incorrect – employees who are considered to be disabled by Service Canada or Retraite Québec do not make contributions to the Canada Pension Plan.

2. True or False. Canada Pension Plan contributions should be deducted from an employee who is 65 years of age and is in receipt of the CPP retirement pension but has not filed an election to stop paying CPP contributions.

   True.

3. Which of the following types of employment is subject to Canada Pension Plan contributions?

   a. employment of a person 18 years of age or over who has pensionable earnings
   b. employment of a ticket taker who only works for three days at the summer fair
   c. employment as a teacher on exchange from India

   Answer: a
   b. is incorrect – the ticket taker worked less than seven days in a year
   c. is incorrect – teachers on exchange from a foreign country are not subject to CPP contributions

4. Which of the following payments and benefits is subject to Canada Pension Plan contributions?

   a. Winona received a $100 gift certificate from friends at work as a birthday gift
   b. Stephan received a $100 tip at the restaurant where he is the head waiter and the restaurant determined the amount of the tip
   c. Harold took a one-year unpaid leave from employment to travel
   d. Betty received a payment of $75 from the employer as reimbursement for office supplies purchased for work-related use

   Answer: b
   a. is incorrect because the gift is from friends, not the employer
   c. is incorrect because only income from paid leave is subject to Canada Pension Plan contributions
   d. is incorrect because the $75 is repayment of an expense and not income to the employee

5. True or False. Canada Pension Plan contributions must be calculated on the severance payments made to an employee when they leave an organization.

   False, severance payments received upon or after retirement in recognition of long service or in respect of loss of office or employment are not subject to Canada Pension Plan contributions.

6. Lily was handed a list of new workers and was asked to calculate the monthly Canada Pension Plan contributions for each worker, where applicable. Complete the questions, using the worksheets provided.

NAME	AGE	MONTHLY INCOME	JOB STATUS
Michael	25	$2,000	full-time
Steven	17	$1,000	full-time
Frank	32	$ 800	independent contractor
Jerry	72	$ 500	part-time
Ed	53	$ 500	permanent, part-time
John	40	$5,500	full-time

a. Determine for which of the workers listed the employer must deduct Canada Pension Plan contributions.

	CONTRIBUTE		REASON
	YES	NO	
Michael	✓		**Between 18 and 70 years**
Steven		✓	**Younger than 18 years**
Frank		✓	**Is an independent contractor and not a regular employee**
Jerry		✓	**Older than 70 years**
Ed	✓		**Between 18 and 70 years**
John	✓		**Between 18 and 70 years**

b. Calculate January's employee and employer Canada Pension Plan (CPP) contributions for each employee who has pensionable earnings.

	MICHAEL	ED	JOHN
Pensionable earnings	$2,000.00	$500.00	$5,500.00
CPP pay period Exemption ($3,500.00 ÷ 12)	- 291.66	- 291.66	- 291.66
Contributory Earnings	$1,708.34	$208.34	$5,208.34
CPP Contribution Rate (5.70%)	x 0.057	x 0.057	x 0.057
Employee CPP Contribution	**$ 97.38**	**$ 11.88**	**$ 296.88**
Employer CPP Contribution	**$ 97.38**	**$ 11.88**	**$ 296.88**

c. Assume it is December and that this is the 12th pay for each of these employees. They have earned the same pensionable earnings in each month of the current year. Calculate the employee and employer Canada Pension Plan (CPP) contributions for each employee for December. (The current annual maximum employee Canada Pension Plan contribution is $3,499.80)

	MICHAEL	ED	JOHN
CPP contributions per pay	$ 97.38	$ 11.88	$ 296.88
Number of previous pays this year	x 11	x 11	x 11
Total CPP contributions to date	$1,071.18	$130.68	$3,265.68
Balance to reach maximum ($3,499.80 for the current year less YTD contributions)	$2,428.62	$3,369.12	$234.12
Employee CPP Contribution this pay	**$97.38**	**$11.88**	**$234.12**
Employer CPP Contribution this pay	**$97.38**	**$11.88**	**$234.12**

7. Neil Cheng is a salesperson for Lake City Printing. Neil is paid by commission only. Neil received a commission payment of $37,450.00 on September 1. There were 219 days between this and Neil's last commission payment.

   Calculate the Canada Pension Plan exemption to be applied to Neil's payment, the contributory earnings, and both the employee and employer's Canada Pension Plan contributions for this payment. Neil will not reach the annual maximum contribution on this pay.

CPP exemption $= \dfrac{\text{Days between the payments}}{\text{Number of days in the year}} \times \text{Yearly basic exemption}$

$= \dfrac{219}{365} \times \$3{,}500.00$

$= 0.60 \times \$3{,}500.00$

$= \$2{,}100.00$

Pensionable earnings	**$37,450.00**
CPP Exemption	**- 2,100.00**
Contributory Earnings	**$35,350.00**
Contributory Earnings	**$35,350.00**
CPP Contribution Rate (5.70%)	**x 0.057**
CPP Contribution – employee	**$ 2,014.95**
CPP Contribution – employer	**$ 2,014.95**

8. Jennifer Alexander turned age 18 on September 14.

   a. When will Canada Pension Plan contributions commence?

   The Canada Pension Plan contributions will commence on the first pay of October

   b. Calculate Jennifer's prorated annual maximum Canada Pension Plan contribution, showing all work.

Prorated CPP contribution $= \dfrac{\textbf{Current annual maximum contribution limit}}{\textbf{12}} \times \textbf{Number of months eligible to contribute}$

$= \dfrac{\$3{,}499.80}{12} \times 3$

$= \$\,291.65 \times 3$

$= \$\,874.95$

9. Grant Trudel was considered to be disabled by Service Canada in May.

   a. When will Canada Pension Plan contributions cease?

   The contributions will cease on the first pay of June.

   b. Calculate Grant's prorated annual maximum Canada Pension Plan contribution, showing all work.

$$\textbf{Prorated CPP contribution} = \frac{\textbf{Current annual maximum contribution limit}}{\textbf{12}} \textbf{ x Number of months eligible to contribute}$$

$$= \frac{\$3{,}499.80}{12} \text{ x } 5$$

$$= \$\,291.65 \text{ x } 5$$

$$= \$\,1{,}458.25$$

10. True or False. If an employee leaves one employer during the year to start work with another employer, the new employer can take into account what the employee's previous employer withheld in Canada Pension Plan contributions.

    False, the new employer has to deduct Canada Pension Plan (CPP) contributions without taking into account what the employee's previous employer had withheld.

11. Mary Smith had applied for Canada Pension Plan (CPP) retirement pension benefits which began at age 65 in March. Mary called the payroll department in August of the same year to ask why they were still deducting Canada Pension Plan contributions. Explain what your response to Mary would be and what actions you would take.

    - **Advise Mary that to stop paying CPP, proof that a CPP retirement pension is being received must be provided and a CPT30 election form must be filed.**
    - **When the completed CPT30 form is received by the employer, make the required entry in the payroll system to stop future CPP contributions on the first pay in the following month.**
    - **Mary is not entitled to a refund of CPP contributions since the CPT30 election form is only effective once received by the employer.**

12. Keith Tucker earns $2,000.00 in insurable earnings on a bi-weekly basis. Calculate the Employment Insurance (EI) premiums to be withheld from the next pay as well as the employer's premium. Keith will not reach the maximum annual EI premiums on this pay. The employer does not offer a wage loss reduction plan to the employees.

Insurable earnings	$2,000.00
EI premium rate (1.58%)	x 0.0158
EI Premiums – employee	**$ 31.60**
EI Premiums – employer ($31.60 x 1.4)	**$ 44.24**

13. Alex has had $ 948.00 deducted in Employment Insurance premiums to date. What would be the withholding for Employment Insurance on the next bi-weekly pay of $3,750.00? Also show the employer's premium, assuming the employer has a reduced Employment Insurance premium rate of 1.27.

Insurable earnings	$3,750.00
EI premium rate (1.58%)	x 0.0158
EI premiums - employee	$ 59.25
EI annual premium maximum	$ 952.74
Employee YTD premiums	948.00
Balance to reach maximum	$ 4.74
EI Premiums – employee	**$ 4.74**
EI Premiums – employer ($4.74 x 1.27)	**$ 6.02**

14. Joanne Keating, who is paid $2,200.00 bi-weekly, also receives the following in addition to the regular salary each pay: a group term life insurance non-cash taxable benefit of $6.50 and a taxable cash car allowance of $250.00. Calculate Joanne's Employment Insurance premium. The annual maximum for EI premiums will not be reached with this payment. Also show the employer's premium, assuming a reduced employer premium rate of 1.208.

Salary	$2,200.00
Car allowance	250.00
Total insurable earnings	$2,450.00
EI premium rate (1.58%)	x 0.0158
EI Premiums – employee	**$ 38.71**
EI Premiums – employer ($38.71 x 1.208)	**$ 46.76**

Note: Non-cash taxable benefits (group term life insurance) are not insurable.

15. Indicate whether the following are subject to Employment Insurance premiums by indicating "yes" or "no" in the appropriate box.

	YES	NO	
a)		**No**	retiring allowance
b)		**No**	supplement for any part of an employment insurance maternity, parental or compassionate care benefit period
c)	**Yes**		bonus paid to an employee
d)	**Yes**		cash moving allowance
e)		**No**	non-cash taxable benefit for stock options

16. What is the Record of Employment (ROE) and what is it used for?

The Record of Employment is a form employers must complete for each employee who has an interruption of insurable employment. Service Canada uses the employment history information on the Record of Employment to decide:

- **if a person qualifies for Employment Insurance (EI) benefits**
- **what the benefit amount should be**
- **how long a person is eligible for these benefits**

17. When does an interruption of earnings occur?

An interruption of earnings occurs in the following situations:

- **When an employee has had or is anticipated to have, seven (7) consecutive calendar days with no work and no insurable earnings from the employer. This is called the seven-day rule.**
- **When an employee's salary falls below 60% of regular weekly earnings because of illness, injury, quarantine, pregnancy, the need to care for a newborn or a child placed for adoption, the need to provide care or support of a family member who is gravely ill with a significant risk of death or the need to provide care or support for a critically ill or injured child or adult.**