CPP Changes for Employees Over Age 60

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FINANCIAL MANAGEMENT

Commencing January 1, 2012, the Canada Revenue Agency (CRA) is imposing new contribution rules for the CPP program for individuals who are employees and/or self-employed. As these new contribution rules may affect you, we are providing you with details of the changes below.

Under the current contribution rules

Employers have to stop deducting CPP contributions from an employee's pensionable earnings when that employee is:

- 60 to 70 years of age; **and**
- receiving a CPP retirement pension.

Under the new contribution rules

Employers will now have to deduct CPP contributions from an employee's pensionable earnings when that employee is receiving a CPP retirement pension and is:

- 60 to 65 years of age (mandatory); **and**
- 65 to 70 years of age **unless** the employee has elected to stop paying CPP contributions (see additional information below).

Please note that there are no changes for employers with employees or self-employed individuals over the age of 70. Regardless of pensionable earnings and receipt of a CPP retirement benefit, no contributions are required if over the age of 70.

Employed individuals

For all employees (including shareholders who are employees)…
If you are under the age of 65 and receiving a CPP retirement pension, effective January 1, 2012, it is now mandatory for you to contribute to CPP and you cannot elect to stop contributing to the CPP program.

If you are at least 65 years of age but under 70 and receiving a CPP retirement pension, effective January 1, 2012, you can elect to stop contributing to the CPP program by:

- completing the form CPT30 - Election to Stop Contributing to the Canada Pension Plan (attached);
- giving a copy of the above form to all your employers;
- retaining a copy of the form for yourself; **and**
- sending the original form to the CRA at the following address:

Winnipeg Tax Centre
Specialty Services Section
66 Stapon Rd
Winnipeg MB R3C 3M2

The election takes effect on the first day of the month following the date you give a copy of the completed form CPT30 to your employer. For example, for the election to take effect January 1, 2012, the form should be completed, given to your employer, and **filed with the CRA in the month of December 2011**. This election can be revoked but not in the same calendar year in which it is made.

Should you not elect to stop paying CPP contributions, the additional payments into the program can yield you a supplementary Post Retirement Benefit, the details of which are under review. For more information regarding this Post Retirement Benefit, please contact Services Canada at 1-800-277-9914.

For all employers

When to stop deducting CPP contributions

As an employer, when you receive a signed and completed copy of the election form CPT30 from an eligible employee, you should stop deducting CPP contributions as of that employee's first pay in the month following the month the employee signed and dated the election form. You have to continue to deduct CPP contributions from an employee's pensionable earnings until such time that the employee provides you with a completed and signed form CPT30.

As an employer, you have to stop deducting CPP contributions from an employee's earnings when the employee turns 70 years of age.

Completing T4 slips for employees making elections

As an employer, you should complete the employee's T4 slip in the usual manner however, you must make sure that the:

- CPP contributions (Box 16) and the CPP pensionable earnings (Box 26) agree with the employee's payroll records from January 1 to the end of the month the employee completed and signed Form CPT30; **and**
- CPP/QPP exempt box (Box 28) is left blank.

What to do with form CPT30

As an employer, you should keep a copy of all completed CPT30 forms with your payroll records.

Self-employed individuals

If you are self-employed and under the age of 65 and receiving a CPP retirement pension, effective January 1, 2012, it is now mandatory for you to contribute to CPP and you cannot elect to stop contributing to the CPP program.

If you are self-employed and at least 65 years of age but under 70 and receiving a CPP retirement pension, effective January 1, 2012, you can elect to stop contributing to the CPP program by completing the applicable section of Schedule 8 – CPP Contributions on Self-Employment and Other Earnings which is included with and will be part of the filing of your 2012 personal tax return.

Summary

Employed and self-employed individuals under the age of 65

Starting January 1, 2012 and if you are working, you will now have to contribute to the CPP program even if you are receiving an early CPP retirement pension.

Employed and self-employed individuals between 65 to 70 years of age

Starting January 1, 2012 and if you are working, unless you elect to stop contributing to the CPP program, you will now have to contribute while you are receiving a CPP retirement pension.

Employed and self-employed individuals over 70 years of age

The new contribution rules do not affect you. If you are working, you do not have to contribute to the CPP program.

Source: Deloitte & Touche LLP