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Changes to CPP contribution rules effective January 1, 2012

Under the current rules (before January 1, 2012), as an employer, you have to stop deducting CPP contributions when the employee is 60 to 70 years of age and gives you proof that he/she is receiving CPP retirement pension.

However, starting January 1, 2012, you may have to deduct CPP contributions from the pensionable earnings you pay an employee who is 60 to 70 years of age, even if the employee is receiving a CPP retirement pension.

Under the new rules, there are two age group categories that will be affected:

- An employee of 60 to 65 years of age who works and receives a CPP retirement pension will now have to contribute to the CPP; and

- An employee of 65 to 70 years of age who works and receives a CPP retirement pension will now also have to contribute to CPP unless the employee has filed an election with you or another employer to stop paying CPP contributions (the election will take effect on the first day of the month following the month the employee provides you with a completed and signed election form – Form CPT30, see attached). Therefore, the employee must provide you with a completed and signed copy of the election form by December 31, 2011 and send the original to Canada Revenue Agency if he/she does not wish to have any CPP deducted from his/her salary and wages. Otherwise, an employee who works and receives a CPP retirement pension will have to contribute to the CPP starting January 1, 2012 until an election form is filed. The employee can revoke his or her election to stop paying CPP contributions in 2013 or later.

These legislative amendments do not affect the salary and wages of an employee who is considered to be disabled under the CPP, nor do they affect the salary and wages of a person who has reached 70 years of age, for whom you would not deduct CPP contributions.