

Employers and CPP2



Ichika

- Employer
- Wants to know how second additional Canada Pension Plan contributions (CPP2) affect employers



How do CPP2 contributions affect Ichika?

Canadian employees who earn an annual income higher than the first earnings ceiling, the Year's Maximum Pensionable Earnings (YMPE), make second additional CPP contributions (CPP2) up to the second earnings ceiling, the Year's Additional Maximum Pensionable Earnings (YAMPE).

Employers remit their share of CPP2 contributions on behalf of employees who contribute to CPP2.



How do the changes affect their employees?

For Ichika's employees who reach retirement age in approximately 40 years, the CPP will provide up to 50% more benefit income.



How does Ichika calculate CPP2 contributions?

Employee CPP2 contributions equal 4% of income between the first and second earnings ceiling. Employers deduct this amount from the paycheques of their higher-earning employees and remit it with their matching CPP2 contribution.

The first and second earnings ceiling rates are announced annually.

The second earnings ceiling is approximately YMPE plus 14%.

When it's time to prepare T4s, Ichika records the employee's portion of CPP2 contributions in Box 16A, separate from base and first enhanced CPP contributions that are recorded in Box 16.



To learn more, visit:

canada.ca/cpp-enhancement

