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**CANADA PENSION PLAN  
ENHANCEMENT CONSULTATION FOR  
SELF-EMPLOYED (PART TWO)**

**FINAL REPORT**

MARCH 2020

## INTRODUCTION

Canadians started contributing more to the Canada Pension Plan (CPP) as of January 1, 2019 and this change is known as the CPP enhancement. The CPP enhancement is designed to help increase retirement income for working Canadians and their families. The CPP enhancement will happen in two phases over seven years. Phase one takes place from 2019 to 2023 and involves a gradual increase in the contribution rate. Phase two will begin in 2024 and will only affect those at higher income levels.

Self-employed individuals have been identified as priority stakeholders to engage with, since they contribute to the CPP at a higher rate than employers and employees, and may face additional challenges in adjusting to the enhancement. Currently, self-employed individuals contribute 10.9% of their pensionable earnings to the CPP, and this rate will increase up to 11.9% by 2023 due to the enhancement. In contrast, employers and employees currently contribute 5.45%, and this rate will increase up to 5.95% by 2023.

The Canada Revenue Agency (CRA) has consulted with self-employed individuals regarding the CPP enhancement in a two-part online public consultation. The first part was held from May 22 to July 17, 2019 with the goal of better understanding their preferences for information about the CPP enhancement. The second part was held from January 30 to February 20, 2020 to validate draft marketing products developed for this target audience. The following report outlines the results of the second part of this consultation.

## PURPOSE OF THE CONSULTATION

The purpose of this consultation aimed to:

1. confirm that the information provided in the products is easy to understand;
2. confirm that the information provided in the products is helpful;
3. confirm which design is preferred by participants (“vibrant” or “minimalist”). The final design selection will be used for future products for self-employed;
4. determine other topics related to taxes for which self-employed individuals would like to receive more information.

## APPROACH TO THE CONSULTATION

Participants were asked to share their thoughts on draft marketing products about the Canada Pension Plan enhancement.

The draft content consisted of a one-page tip sheet designed in two different styles, “vibrant” and “minimalist”. The vibrant tip sheet is bold, using a modern take on mid-century inspired colours, while the minimalist style is calm, more “business-like”, using earthy and neutral colour tones.

Participants were shown one of the two styles at random and were asked to determine whether they found the content easy to understand and helpful. Then, participants were

shown both styles and were asked to select which one they preferred. They were also given an opportunity to comment on how the content could be improved.

The consultation was promoted to self-employed individuals using an online tool. In total, 6,069 people were invited to participate and 215 submissions were received, for a participation rate of 3.54%.

## WHAT WE HEARD

### **Participants found the tip sheet easy to understand and helpful.**

Nearly nine in ten respondents strongly or somewhat agreed that the tip sheet was easy to understand (87%) and helpful (85%). A similar proportion (87%) said they were familiar with the terminology used in the tip sheet.

### **Participants preferred colourful and eye-catching style**

The majority of participants preferred the “vibrant” style (68%) over the “minimalist” style (30%). Those that preferred the “vibrant” style liked the colours, saying it is bright, pleasant/friendly, non-bureaucratic, and eye-catching. Participants also liked that sections are clearly divided based on the colour scheme.

Those that preferred the “minimalist” style liked that it is professional and business like, easier on the eyes, and less cluttered/fewer distractions.

### **Suggested improvements**

Participants provided several ways to improve the tip sheet:

- The link for “Learn more” should be more prominent
- Clearly explain that the contribution rate is a percentage of your pensionable income
- Provide concrete examples
- Font size should be a little bigger
- Make it more simple by using bullets, less words, focus on the numbers
- Simplify the language.

### **Tax-related topics for self-employed**

Participants were most interested in receiving information about tax deductions and tax credits, and expenses that can be claimed as self-employed individuals.

## NEXT STEPS

To help self-employed individuals get the information they need to meet their tax obligations, the CRA will incorporate the feedback received to finalize its marketing products, continuing to focus on developing simple, plain-language content.

# APPENDIX A – DETAILED RESULTS

## Scope

The following presents data from the Canada Pension Plan (CPP) enhancement Consultation for Self-Employed, opened from January 30 to February 20, 2020.

### Active Engagement

- # of people invited to participate: 6,069
- # of completed submissions: 215
- Participation rate: 3.54%

## Public Input

1. To what extent would you say you agree or disagree with the following statements about the information you just read?

	Strongly Agree	Somewhat Agree	Neither agree not disagree	Somewhat disagree	Strongly disagree
The information included in the tip sheet is easy to understand. <b>n = 215</b>	103 (48%)	83 (39%)	10 (5%)	12 (6%)	7 (3%)
The information provided is helpful. <b>n = 215</b>	103 (48%)	80 (37%)	19 (9%)	8 (4%)	5 (2%)
I am familiar with all of the terminology provided in the tip sheet. <b>n = 215</b>	124 (58%)	63 (29%)	12 (6%)	11 (5%)	5 (2%)

Those who did not select 'Strongly Agree' were asked:

Which words or phrases do not sound familiar to you?

Comment summary:

- Terminology was mostly understood
- Need to include information about what the contribution rate is a percentage of. For example, 10.2% of what for 2019.
- A few mentioned that they did not know what "Netfile" was
- The retirement benefit increase was not quite clear. A few specifically referenced the 50% increase in CPP benefits
- How does CPP affect those who are nearing retirement, those who have variable income (work contract to contract), the effects on couples

2. Based on the information provided in the document, would you know where to find more information about the CPP enhancement? n = 215

Yes	149 (69%)
No	30 (14%)
Not sure	36 (17%)

	Style V	Style M	No selection made
3. In your opinion, which style conveys the information more clearly than the other? n=215	139 (65%)	71 (33%)	5 (2%)
4. Which style is more likely to grab your attention? n=215	169 (79%)	43 (20%)	3 (1%)
5. Which style do you prefer? n=215	146 (68%)	65 (30%)	4 (2%)

Style V = Vibrant tip sheet

Style M = Minimalist tip sheet

For those who selected V:

6. What do you like about Style V?

- The majority of comments stated that they liked the colour and layout because:
  - it is bright
  - eye-catching, grabs your attention
  - friendly/gentler/pleasant
  - better contrast
  - colours and layout make easier to read and logical flow
- Not the sort of image that is normally linked to Bureaucracy!
- Clean, crisp look
- Clear, concise

## 7. If any, how would you improve this?

- Add a web link for more information [There is a link that appears to have been missed by some participants]
- Need concrete examples
- Bigger font needed
- Make it simpler, fewer words, more practical,
- More about numbers less about words

For those who selected M:

## 6. What do you like about Style M?

- Easier to read, less distractions
- Looks more serious, more business-like
- Not cluttered
- Clean, straight-forward, not gimmicky
- Easier on the eyes
- Larger titles/headings
- More professional, orderly
- Timeline structure made it more clear

## 7. If any, how would you improve this?

- Link for more information needs to be more clear and obvious
- Too much information
- Change the colour, make colours brighter.
- Use bullets
- It's boring, nothing to pull you in

## 8. The CPP enhancement will provide more retirement income down the road. Which of the following two explanations of the changes is easiest for you to understand? [Statements are randomized]

Statement A: The CPP retirement benefit used to provide a maximum of one-quarter of your income, up to a maximum amount. With the enhancement, you could receive up to one-third of your income, up to a maximum amount.

Statement B: The CPP enhancement will provide higher benefits in retirement. People who make enhanced contributions for 40 years would receive a pension from the enhanced CPP which would be 50% larger than under the old CPP program.

Statement A	68 (32%)
Statement B	35 (16%)
<b>I understand both explanations.</b>	<b>103 (48%)</b>
I don't understand either explanations.	9 (4%)

n = 215

9. When we consulted with self-employed individuals last spring about the CPP enhancement, participants indicated a strong interest in receiving emails so they can stay up-to-date with tax-related information. What topics would you like to receive information about? Select all that apply.

	# of times option was selected	% of respondents who selected option
Expenses that can be claimed as self-employed individuals	<b>184</b>	<b>86%</b>
Tax deduction and tax credit	<b>178</b>	<b>83%</b>
Government grants (municipal, provincial or federal)	96	45%
Payroll	59	27%
Other (please specify)	15	7%
None selected	9	4%

**Other (please specify)**

- An easily accessible place to ask questions and have them answered in a timely manner
- Anything to do with spouse
- Calculating installment amounts
- Can a person over 70 years of age, who is self-employed receive these benefits?
- Changes since last year
- Changes to taxation
- Child care benefits
- For low-income self-employed people like myself, I would like information about free independent financial advisors that could help me.
- GST exemption for registered massage therapists
- Self-employment tax seminar schedule
- Updates and changes

# APPENDIX B – DRAFT MARKETING PRODUCTS

Vibrant style



## CPP ENHANCEMENT

### Self-employed: Introducing the Canada Pension Plan Enhancement

#### What is the Canada Pension Plan Enhancement?

On January 1, 2019, the Canada Pension Plan (CPP) was enhanced to improve the retirement outlook for all Canadians. This change to the CPP will significantly reduce the number of Canadian families at risk of not saving enough for retirement. It will most impact those who do not have a workplace pension plan. Under the enhancement, Canadians' contributions to the CPP will gradually increase, in exchange for higher retirement income.

In order to be best prepared and able to plan ahead, it is important for you, as a self-employed individual, to understand these adjustments. The Canada Revenue Agency (CRA) has created a series of tip sheets to help guide the way and keep you informed.

#### How the CPP works:

- ▶ The CPP is a mandatory pension plan financed by contributions from employees, employers and self-employed individuals.
- ▶ Provides a **basic** level of income for contributors on their retirement.
- ▶ Provides benefits to disabled workers and the survivors of contributors.

#### How the CPP enhancement applies to the self-employed individuals:

## 50%

— 40 years —

Your maximum CPP retirement benefit will increase by about 50% if you contribute for 40 years.



— 7 years —

Your CPP contributions will slowly increase over the next 7 years over two phases.



If you use Netfile-certified online tax software, the calculations will be done for you automatically.

#### Who contributes:

**\$3.5K<sup>+</sup>** Those who earn more than \$3,500 per year.

**18<sup>+</sup>** Eighteen years and older working within Canada & outside Quebec.

#### Timeline of enhanced contribution rates for the self-employed

CONTRIBUTION RATE	2019	2020	2021	2022	2023
	10.2%	10.5%	10.9%	11.4%	11.9%

#### Down the road:

Starting in 2024, higher income earners will see further increases to their CPP contributions.

Learn more: [Canada.ca/cpp-enhancement-self-employed](https://Canada.ca/cpp-enhancement-self-employed)

INFO

#### Are you self-employed in Quebec?

Quebec administers its own plan called the Quebec Pension Plan (or QPP). For more information on the QPP, visit the Retraite Québec website at: [retraitequebec.gouv.qc.ca](https://retraitequebec.gouv.qc.ca).

Stay updated. Subscribe to our email list for more information.

SUBSCRIBE




Minimalist style

# CPP ENHANCEMENT

## — 2019-2025

### Self-employed: Introducing the Canada Pension Plan Enhancement

### WHAT IS THE CANADA PENSION PLAN ENHANCEMENT?

On January 1, 2019, the Canada Pension Plan (CPP) was enhanced to improve the retirement outlook for all Canadians. This change to the CPP will significantly reduce the number of Canadian families at risk of not saving enough for retirement. It will most impact those who do not have a workplace pension plan. Under the enhancement, Canadians' contributions to the CPP will gradually increase, in exchange for higher retirement income.

*In order to be best prepared and able to plan ahead, it is important for you, as a self-employed individual, to understand these adjustments. The Canada Revenue Agency (CRA) has created a series of tip sheets to help guide the way and keep you informed.*

### HOW THE CPP WORKS:

- The CPP is a mandatory pension plan financed by contributions from employees, employers and self-employed individuals.
- Provides a basic level of income for contributors on their retirement and in case of disability.
- Provides benefits to disabled workers and the survivors of contributors.

### How the CPP enhancement applies to the self-employed individuals:

## 50%

— 40 years —

With this enhancement, your maximum CPP retirement benefit will increase by about 50% if you contribute for 40 years.

- 7 years -

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### WHO CONTRIBUTES:

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Eighteen years and older working within Canada & outside Quebec.

### Timeline of enhanced contribution rates for the self-employed

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	10.2%	10.5%	10.9%	11.4%	11.9%

### DOWN THE ROAD:

Starting in 2024, higher income earners will see further increases to their CPP contributions.

**LEARN MORE:**  
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### Are you self-employed in Quebec?

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