

Lower Paycheck? Here's Why Your CPP Deductions Have Increased in 2024aa

Commencing in 2024, the Canada Pension Plan(CPP) will undergo significant adjustments that will impact the deductions from Canadians' paychecks. While these changes will result in increased contributions from your wages, they come with the promise of higher payouts once retirees start collecting their pensions.

Middle- and higher-income workers will feel the pinch the most with these updates since a second CPP tax only kicks in at salary ranges above \$68,500. The bottom line is that your paycheck may drop by as much as \$301 this year.

Understanding the Basics of CPP

The Canada Pension Plan is a vital component of Canada's social security system. It's designed to provide financial support to Canadians during their retirement years.

Employees and employers contribute to the CPP fund throughout an individual's working life, building a pool of funds that will be distributed as retirement benefits.

2024 Changes in CPP Contribution Rates

In the previous system, all Canadians earning over a base amount, presently set at \$3,500, contributed a fixed percentage of their income to CPP, with a maximum threshold that increased annually.

For 2024, the regular CPP contribution rate is 5.95% and it is applied to incomes up to \$65,000 (i.e. the maximum pensionable amount of \$68,500 minus the \$3,500 exemption). This means you pay up to \$3,867.50 as an employee.

Self-employed individuals are responsible for paying both the employee and employer portions of the contribution or 11.9%.

Compared to 2023, Canadian workers are paying up to an additional \$113 in CPP contributions in 2024 based on the standard deduction for the first pension threshold.

Furthermore, in 2024, the enhanced CPP introduces a second earnings ceiling, effectively creating two tiers:

Tier One (Up to \$68,500): This tier functions analogously to the previous system. Workers contribute a set percentage of their earnings to CPP, but now, the contribution is capped at a government-established threshold, which for 2024 is \$68,500. Those earning \$68,500 or less will not encounter any changes in their current contribution rates.

Tier Two (Earnings Between \$68,500 and \$73,200): This applies to individuals earning beyond the first tier threshold. They will now be subject to an additional four percent contribution on their earnings within the range of \$68,500 to \$73,200. In practical terms, this translates to a maximum of \$188 in supplementary payroll deductions for 2024. Those earning over \$73,200 will contribute an additional \$301 in 2024 compared to last year.

In summary, if you earn more than \$73,200 in 2024, your CPP contributions are higher at \$4,055.50 for the year. The additional \$301 means your paycheck per pay period (assuming 26



