

Enhancement to the Canada Pension Plan Program

In 2016, the Government of Canada [announced](#) a multi-year enhancement project for the Canada Pension Plan. The CPP, which is funded equally by employees and employers, was designed to replace approximately 25% of workers' earnings up to a maximum pensionable amount, adjusted annually. When the enhancement is fully implemented, that rate will have increased to 33%.

The changes to the CPP program started on January 1st, 2019 and will be fully implemented as of January 1st, 2025. In order to receive the full benefit from the program enhancement, employees will have to work 40 years from the 2019 start date.

To pay for this enhancement, the following changes have been made to the CPP program, affecting both employees and employers:

- The rate at which CPP deductions are calculated has increased from 4.95% in 2018 to 5.95% currently.
- The yearly maximum pensionable earnings (YMPE) amount covered by CPP has increased each year, from \$55,900 in 2018 to \$68,500 currently.
- A second CPP contribution (CPP2) has been created effective January 1st, 2024.

The following table illustrates the changes.

Year	Yearly Maximum Pensionable Earnings (YMPE)	Rate on YMPE	Maximum CPP on YMPE ((YMPE - \$3,500) * Rate) *	Yearly Additional Maximum Pensionable Earnings (YAMPE)	Rate on YAMPE	Maximum CPP (CPP2) on YAMPE	Total Maximum Pensionable Earnings	Total Maximum CPP
2018	\$55,900	4.95%	\$2,593.80	-----	-----	-----	\$55,900	\$2,593.80
2019	\$57,400	5.10%	\$2,748.90	-----	-----	-----	\$57,400	\$2,748.90
2020	\$58,700	5.25%	\$2,898.00	-----	-----	-----	\$58,700	\$2,898.00
2021	\$61,600	5.45%	\$3,166.45	-----	-----	-----	\$61,600	\$3,166.45
2022	\$64,900	5.70%	\$3,499.80	-----	-----	-----	\$64,900	\$3,499.80
2023	\$66,600	5.95%	\$3,754.45	-----	-----	-----	\$66,600	\$3,754.45
2024	\$68,500	5.95%	\$3,867.50	\$4,700	4.00%	\$188.00	\$73,200	\$4,055.50
2025 <i>(projected)</i>	\$71,200	5.95%	\$4,028.15	\$9,900	4.00%	\$396.00	\$81,100	\$4,424.15

The following are the impacts in 2024 of the implementation of CPP2:

- Employees who earn \$73,200 or more will pay \$188 in CPP2 contributions and will see their CPP "holiday" (the pay periods during which CPP is paid up for the year and no deductions are taken) delayed.

Enhancement to the CPP Program

- Employees who earn over \$68,500 but less than \$73,200 will pay a pro-rated amount of CPP2 and will no longer have a CPP holiday.
- Employees who earn \$68,500 or less will not pay CPP2.

The enhanced contributions (CPP2 or “second contribution”) will start once the maximum contribution on the YMPE has been reached.

Starting with 2024, CPP2 will be reported in box 16A of the T4, called “Employee’s second CPP contributions,” while CPP will continue to be reported in box 16, “Employee’s CPP contributions”.

More details are available on the Government of Canada’s website [here](#) and [here](#).