

TAX CITY ONTARIO 2014

Welcome to the series of tax cases called Tax City.

These cases are designed to have the student apply the material discussed in class. This version is the Ontario 2014 edition. Tax City is a fictitious city but you could represent Ottawa as Tax City.

To facilitate updates of tax cases, the following dates are used:

<u>19X9</u>	<u>20X0</u>	<u>20X1</u>	<u>20X2</u>	<u>20X3</u>
second previous year	previous year	current year 2014	subsequent year	second subsequent year

Where Canada Pension Plan (CPP) and Employment Insurance (EI) Premiums are paid by an employee, it is possible that no amount are included but only the mention “maximum”.

For 2014, the Employment Insurance (EI) premium rate for the employee is 1.88% of earnings to a maximum annual earnings amount of \$48,600. At this level of earnings, the maximum level of premium of \$913.68 is reached. Employers must pay a premium of 1.4 times the employee payment for a maximum of \$1,279.15.

For 2014, the CPP (Canada Pension Plan) for the employee is 4.95% of pensionable annual earnings. The maximum pensionable annual earnings is \$52,500 with a basic exemption of \$3,500. Thus, the maximum contribution is calculated as follows :

$$4.95\% \text{ of } (\$52,500 - \$3,500) = 4.95\% \text{ of } (\$49,000) = \$2,425.50.$$

For a self-employed individual, the maximum is twice the maximum amount or \$4,851.00. Employers must pay a contribution equivalent to the employee payment for a maximum of \$2,425.50.

	<u>Maximum</u> <u>(if exceeding the limits)</u>
Employment Insurance (EI) premium	\$914
Canada Pension Plan (CPP) contribution	\$2,426

Hope you will enjoy

François Brouard