

TAX CITY ONTARIO 2013

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 2013 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 2013	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 2013, the Employment Insurance (EI) premium rate for the employee is 1.88% of earnings to a maximum annual earnings amount of \$47,400. At this level of earnings, the maximum level of premium of \$891.12 is reached. Employers must pay a premium of 1.4 times the employee payment for a maximum of \$1,247.57.

For 2013, the CPP (Canada Pension Plan) for the employee is 4.95% of pensionable annual earnings. The maximum pensionable annual earnings is \$51,100 with a basic exemption of \$3,500. Thus, the maximum contribution is calculated as follows :

$$4.95\% \text{ of } (\$51,100 - \$3,500) = 4.95\% \text{ of } (\$47,600) = \$2,356.20.$$

For a self-employed individual, the maximum is twice the maximum amount or \$4,712.40. Employers must pay a contribution equivalent to the employee payment for a maximum of \$2,356.20.

	<u>Maximum</u> <u>(if exceeding the limits)</u>
Employment Insurance (EI) premium	\$891
Canada Pension Plan (CPP) contribution	\$2,356

Hope you will enjoy

François Brouard