

TAX CITY ONTARIO 2025

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 2025 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 2025	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 2025, the Employment Insurance (EI) premium rate for the employee is 1.64% of earnings to a maximum annual earnings amount of \$65,700. At this level of earnings, the maximum level of premium of \$1,077.48 is reached. Employers must pay a premium of 1.4 times the employee payment for a maximum of \$1,508.47.

For 2025, the CPP (Canada Pension Plan) for the employee is 5.95% of pensionable annual earnings. The year’s maximum pensionable earnings (YMPE) is \$71,300 with a basic exemption of \$3,500. Thus, the maximum contribution is calculated as follows :

$$\text{CPP: } 5.95\% \text{ of } (\$71,300 \text{ (YMPE)} - \$3,500) = 5.95\% \text{ of } (\$67,800) = \$4,034.10$$

For 2025, the CPP2 (additional Canada Pension Plan) for the employee is 4.00% of additional pensionable annual earnings. The year’s additional maximum pensionable earnings (YAMPE) is \$81,200. Thus, the maximum additional contribution is calculated as follows :

$$\text{CPP2: } 4.00\% \text{ of } (\$81,200 \text{ (YAMPE)} - \$71,300 \text{ (YMPE)}) = 4.00\% \text{ of } (\$9,900) = \$396.00$$

For a self-employed individual, the maximum is twice the maximum amount or \$8,068.00 without CPP2 and \$8,860.00 with CPP2.

Employers must pay a contribution equivalent to the employee payment for a maximum of \$4,430.

	<u>EI</u>	<u>CPP</u>	<u>CPP2</u>	<u>Maximum</u> <i>(if exceeding the limits)</i>
Employment Insurance (EI) premium	\$1,077			\$1,077
Canada Pension Plan (CPP) contribution		\$4,034	\$396	\$4,430

Hope you will enjoy

François Brouard