

## This Month:

- Canada Pension Plan Basics
- Employment Insurance Benefits for Self-Employed People

### Canada Pension Plan Basics

The Canada Pension Plan (CPP) is a contributory, earnings-related social insurance program. It ensures a measure of protection to a contributor and his or her family caused by the loss of income due to retirement, disability and death. There are three types of CPP benefits:

- Disability benefits (which include benefits for disabled contributors and for their dependent children);
- Retirement pension;
- Survivor benefits (which include the death benefit, the survivor's pension and the children's benefit).

The CPP operates across Canada, although the province of Quebec has its own similar program, the Quebec Pension Plan (QPP). The CPP and the QPP work together to ensure that all contributors are protected. With very few exceptions, every person in Canada over the age of 18 who earns a salary or a wage must pay into the CPP. You and your employer each pay 50% of the contributions. However, if you are self-employed you pay both portions. You do not make contributions if you are receiving a CPP disability pension. At age 70, you stop contributing even if you are still working. You can apply for and receive a full CPP retirement pension at age 65, or receive it as early as 60 with a reduction, or as late as 70 with an increase. If you continue to work while receiving your CPP retirement pension and are under age 70, you can continue to participate in the CPP. Your CPP contributions will go toward post-retirement benefits, which will increase your retirement income.



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## Employment Insurance Benefits for Self-Employed People

Self-employed Canadians are able to voluntarily access Employment Insurance (EI) special benefits. There are five types of EI special benefits:

- Maternity benefits (15 weeks maximum) available to mothers of a new born child. It covers the periods surrounding birth;
- Parental / adoptive benefits (35 weeks maximum) available to adoptive, biological or otherwise legally recognized parents while they are caring for a newly adopted or newborn child. It may be taken by either parent or shared between them;
- Sickness benefits (15 weeks maximum) which may be paid to a person who cannot work because of injury, sickness, or quarantine;
- Compassionate care benefits (26 weeks maximum), that may be paid to persons who have to be away from work temporarily to provide support or care to a family member who is gravely ill with a significant risk of death. The benefits can be shared between different family members who applied and are eligible to receive them; and
- Benefits for parents of critically ill children (35 week maximum): available to eligible parents who take leave of work to provide care or support to their critically ill or injured child. Either parent is eligible or the benefits can be shared.

You are eligible to access the EI special benefits if you:

- Are a self-employed person or you work for a corporation but cannot access EI benefits because you control more than 40% of the corporation's voting shares; and
- Are a Canadian citizen or a permanent resident of Canada.

Self-employed Canadians are required to voluntarily opt into the Program at least one year prior to claiming benefits. Premium payments begin in the tax year in which they enrolled in the EI Program. Register to participate in the EI program through "my service Canada account."

Self-employed persons can opt out of the EI Program at the end of any tax year, provided they have never claimed any benefits. If a claim for benefits was made they have to continue to contribute to the EI Program on their self-employed earnings for as long as they are self-employed.

Self-employed Canadians that opt into the EI Program will pay the same EI premium as salaried employees (maximum of \$836.19 in 2017). She or he will not be required to pay the employer's portion of the EI premiums.

Self-employed residents of Quebec continue to receive maternity, paternity, and parental payments under the Quebec Parental Insurance Program. Self-employed Quebec residents can also choose to apply for the federal program mentioned above.

In 2017, the maximum benefits are \$543 per week. The weekly benefit amount is 55% of your average weekly earnings (AWE) from the calendar year before you submit an application for EI special benefits. Your AWE are your total self-employment income minus any losses, as calculated according to the Income Tax Act, divided by 52.

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Padgett Business Services is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.