

CPP Contribution Changes for 2024 and 2025: What Employees Need to Know

The **Canada Pension Plan (CPP)** is a mandatory federal program that requires both employees and employers to contribute an equal percentage of the employees' pensionable earnings to fund retirement pensions, disability, and death benefits. Contributions are based on pensionable earnings above a basic exemption, up to a maximum income subject to CPP deductions.

- **Basic Exemption:** the first **\$3,500** of your annual income is exempt from CPP contributions.
- **Pensionable Earnings:** Income subject to CPP contributions, such as wages, salaries, bonuses, and other taxable benefits.

How Your CPP Contributions Are Calculated Per Paycheque

CPP contributions are deducted from each paycheque throughout the year. The annual contribution is divided by the number of pay periods based on your pay schedule (weekly, biweekly, semi-monthly, or monthly).

For example, if your total annual CPP contribution is **\$3,755.45**:

- **Biweekly:** $\$3,755.45 / 26 = \144.44 per pay cheque
- **Weekly:** $\$3,755.45 / 52 = \72.22 per pay cheque

Employers match employee contributions dollar-for-dollar, and the total contribution is submitted to the **Canada Revenue Agency (CRA)** on your behalf.

CPP Contribution Changes for 2024 & 2025

Starting in **2024**, a second level (**Tier 2**) was added to the CPP structure, which only affects employees whose earnings exceed the **Tier 1 maximum**. This change, introduced in 2024, adds additional contributions for employees with higher incomes.

Clarifying the Tiers:

- **Tier 1:** Applies to income up to the maximum income subject to CPP deductions limit. The contribution rate is the standard CPP rate.
- **Tier 2: (Introduced in 2024)** Applies to income exceeding the **Tier 1** limit but below the **Tier 2** maximum income subject to CPP deductions limit. An additional contribution rate is applied to this extra income.

Why Was Tier 2 Introduced?

The federal government expanded the CPP to ensure there is enough money to meet the needs of an increasing number of retirees, to account for longer life expectancy and to keep pace with

inflation. As the cost of living rises, so do the expenses of supporting pensioners. This required higher CPP contributions from both employees and employers.

2025 Changes: Significant Increase

In 2025, there will be significant changes:

- The **Tier 1 maximum income subject to CPP deductions** will increase to **\$69,700**, (from \$68,500 in 2024), and the **contribution rate** will rise to **6.95%**, (from 5.95%).
- The **Tier 2 maximum income subject to CPP deductions** will increase to \$79,400, (from \$73,200 in 2024), but the **contribution rate will stay at 4.00%**.

These changes will result in more income being subject to CPP deductions, particularly for higher earners, with Tier 2 contributions applying only to income above Tier 1 limits.

Impact on Your Paycheque

The changes to Tier 1 and Tier 2 will lead to higher CPP contributions and a reduction in take-home pay. The table below highlights the impact on an employee earning \$70,000 annually, showing the increase in deductions from 2023 to 2025:

CPP Contribution Table for an Employee Earning \$70,000

Year	TIER 1 MAX INCOME	TIER 1 RATE	TIER 2 MAX INCOME	TIER 2 RATE	EMPLOYEE PORTION	EMPLOYER PORTION	TOTAL CPP	BIWEEKLY DEDUCTION	DECREASE IN TAKE-HOME PAY
2023	\$66,600	5.95%	N/A	N/A	\$3,754.45	\$3,754.45	\$7,508.90	\$144.40	N/A
2024	\$68,500	5.95%	\$73,200	4.00%	\$3,927.50	\$3,927.50	\$7,855.00	\$151.06	+\$6.66
2025	\$69,700	6.95%	\$79,400	4.00%	\$4,612.90	\$4,612.90	\$9,225.80	\$177.42	+\$26.36

Example CPP Calculations for 2024

Here are examples of how CPP contributions will be calculated based on different income levels in 2024:

1. Employee Earning \$50,000 (Below Tier 1 Maximum)

- **Pensionable Earnings (with exemption):** $\$50,000 - \$3,500 \text{ (exemption)} = \$46,500.00$
- **Tier 1 Contribution:** $\$46,500 \times 5.95\% = \$2,766.75$

- **Total Contribution:** \$2,766.75 (employee) + \$2,766.75 (employer) = \$5,533.50

Since this employee's income is below the Tier 1 limit of \$68,500, Tier 2 contributions do not apply.

2. Employee Earning \$73,200 (Above Tier 1 Maximum):

- **Tier 1:** $(\$68,500 - \$3,500) \times 5.95\% = \$3,867.50$
- **Tier 2:** $(\$73,200 - \$68,500) \times 4.00\% = \188.00
- **Total Contribution:** \$4,055.50 (employee) + \$4,055.50 (employer) = \$8,111.00

Since this employee's earnings exceed the Tier 1 maximum of \$68,500, Tier 2 contributions apply to the remaining earnings above Tier 1 and up to \$73,200.

Conclusion

With the introduction of Tier 2 and increased CPP rates in 2024 & 2025, employees—especially those with higher earnings—will see a rise in CPP contributions. This means less take-home pay, so it's important to stay informed and review your paycheques to understand how these changes impact your earnings.

How To Get a Copy of Your Canada Pension Statement

You can get a copy of your Canada Pension statement in two ways:

1. Through your [My Service Canada Account](#) where you can access, download, print and view your statement online.
2. Request a copy of your statement by mail from [Canada Pension Plan Statement](#).

For more information visit the [Canada Pension \(CPP\) – CRA Website](#).