



**T4032-OC,
Payroll Deductions Tables –
CPP, EI, and income tax deductions –
In Canada beyond the limits of any
province/territory or outside Canada**

**Effective
January 1, 2016**

What's new as of January 1, 2016

The major changes made to this guide since the last edition are outlined.

This guide reflects some income tax changes recently announced which, if enacted as proposed, would be effective January 1, 2016. At the time of publishing, some of these proposed changes not law. We recommend that you use the new payroll deductions tables in this guide for withholding starting with the first payroll in January 2016.

The changes to the federal income tax rates and thresholds for January 1, 2016 are:

a tax rate of 20.5% for the income threshold of \$45,282.01 to \$90,563.00;

a tax rate of 33% for the income threshold of \$200,000.01 and over.

The federal income tax thresholds have been indexed for 2016.

The federal Canada employment credit has been indexed to \$1,161 for 2016.

The federal basic personal amount, the spouse or common-law partner amount and the amount for an eligible dependant have been indexed to \$11,474 for 2016.

Payroll Deductions Tables

You can download guides T4008, *Payroll Deductions supplementary Tables*, and T4032, *Payroll Deductions Tables*, from our webpage at www.cra.gc.ca/payroll. You can also choose to print only the pages or information that you need.

Guide T4032, *Payroll Deductions Tables*, is also available on CD for use on any computer with or without Internet access. You can order a copy at www.cra.gc.ca/orderforms or by calling 1-800-959-5525.

Paper copies remain available for employers who do not use a computer. To get a copy, call us at 1-800-959-5525.

Payroll Deductions Online Calculator

For your 2016 payroll deductions, you can use our Payroll Deductions Online Calculator (PDOC). The online calculator makes it easier to calculate payroll deductions. PDOC is available at www.cra.gc.ca/pdoc.

PDOC calculates payroll deductions for the most common pay periods, as well as the applicable province (except Quebec) or territory. The calculation is based on exact salary figures.

Let us notify you

We provide an electronic service that can notify you immediately, **free of charge**, of any changes for payroll deductions.

To subscribe, visit our webpage at www.cra.gc.ca/lists and enter your business's email address for each mailing list that you want to join.

Special Notice

Payroll Deductions Tables (T4032)

Effective with the January 1, 2017 edition, the Canada Revenue Agency will no longer publish the paper and CD versions of the guide T4032, *Payroll Deductions Tables*. The electronic version of the guide will continue to be available on our website at www.cra.gc.ca/payroll. For employers who do not have access to a computer, please call 1-800-959-5525 to receive a copy of the guide.

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This guide uses plain language to explain the most common tax situations. If you need more help, contact your tax services office.

Who should use this guide?

This guide is intended for the employer and the payer. It contains tables for federal and provincial tax deductions, CPP contributions and EI premiums. It will help you determine the payroll deductions for your employees or pensioners.

For more information on deducting, remitting, and reporting payroll deductions, see the following employers' guides:

T4001, *Employers' Guide – Payroll Deductions and Remittances*

T4130, *Employers' Guide – Taxable Benefits and Allowances*

RC4110, *Employee or Self-employed?*

RC4120, *Employers' Guide – Filing the T4 Slip and Summary*

RC4157, *Deducting Income Tax on Pension and Other Income, and Filing the T4A Slip and Summary*

These guides are available on our website at www.cra.gc.ca. You can also get the guides by filing out the order form available on our website or by calling **1-800-959-5525**.

Note

You may want to keep the 2015 edition of *Payroll Deductions Tables* until the end of 2016. That edition may help you to resolve any pensionable and insurable earnings review (PIER) deficiencies that we identify in processing your 2015 T4 return.

What if your pay period is not in this guide?

This guide contains the most common pay periods: weekly, biweekly (every two weeks), semi-monthly, and monthly. If you have unusual pay periods, such as daily (240 working days), or 10, 13, or 22 pay periods a year, see the guide T4008, *Payroll Deductions Supplementary Tables*, or the Payroll Deductions Online Calculator (PDOCC) to determine tax deductions.

Which provincial or territorial tax table should you use?

Before you decide which tax table to use, you have to determine your employee's province or territory of employment. This depends on whether or not you require the employee to report for work at your place of business.

If the employee reports for work at your place of business, the province or territory of employment is considered to be the province or territory where your business is located. To withhold payroll deductions, use the tax table for that province or territory of employment.

If you do not require the employee to report for work at your place of business, the province or territory of employment is the province or territory in which your business is located and from which you pay your employee's salary.

For more information and examples, see Chapter 1, "General Information" in guide T4001, *Employers' Guide – Payroll Deductions and Remittances*.

Federal tax for 2016

Indexing for 2016

For 2016, the federal income thresholds, the personal amounts and the Canada employment credit have been increased based on changes in the consumer price index.

The federal indexing factor for January 1, 2016 is 1.3%. The tax credits corresponding to the claim codes in the tables have been indexed accordingly. Employees will automatically receive the indexing increase, whether or not they file Form TD1, *2016 Personal Tax Credits Return*.

Tax rates and income thresholds

For 2016, the tax rates and income thresholds are:

Chart 1 – 2016 federal tax rates and income thresholds

Annual taxable income (\$)	Federal tax rate (%)	Constant (\$)
From – To	R	K
0.00 to 45,282.00	15%	0
45,282.01 to 90,563.00	20.5%	2,491
90,563.01 to 140,388.00	26%	7,471
140,388.01 to 200,000.00	29%	11,683
200,000.01 and over	33%	19,683

Additional federal tax for income earned outside Canada

The additional federal tax applies to deemed residents of Canada such as members of the Canadian Armed Forces who reside outside of Canada, Canadian residents with income from a permanent establishment in a foreign country, and non-residents who have employment income taxable in Canada.

The rate for the additional federal tax for income which is considered to have been earned in Canada but which is not earned in a province or territory is 48% for 2016.

Canada employment credit

The non-refundable Canada employment credit is built into the federal payroll deductions tables. The federal Canada employment amount is the lesser of the following amounts:

\$1,161; and

the individual's employment income for the year.

The maximum annual non-refundable tax credit is \$174.15.

Pension income is not eligible for this credit. If you are paying pension income, use the Payroll Deductions Online Calculator to find the tax deduction.

Personal amounts

Most of the federal personal amounts for 2016 are:

Basic personal amount.....	\$11,474
Spouse or common-law partner amount.....	\$11,474
Amount for an eligible dependant.....	\$11,474

For more detailed information on the personal amounts, see Form TD1.

Canada Pension Plan (CPP) and Employment Insurance (EI)

CPP contributions for 2016

Maximum pensionable earnings	\$54,900
Annual basic exemption.....	\$3,500
Maximum contributory earnings	\$51,400
Contribution rate (%)	4.95
Maximum employee contribution	\$2 544.30
Maximum employer contribution.....	\$2 544.30

You stop deducting CPP when the employee reaches the maximum annual contribution for the year.

Note

As an employer, you have to remit these deductions along with your share of CPP contributions.

For more information, see Chapter 2, “Canada Pension Plan contributions” in guide T4001, *Employer’s Guide – Payroll Deductions and Remittances*.

EI premiums for 2016

Maximum annual insurable earnings.....	\$50,800
Premium rate (%)	1.88
Maximum annual employee premium.....	\$955.04

You stop deducting EI when the employee reaches the maximum annual premium.

Note

As an employer, you have to remit these deductions along with your share of EI premiums.

For more information, see Chapter 3, “Employment Insurance premiums” in guide T4001, *Employer’s Guide – Payroll Deductions and Remittances*.

Personal tax credits returns (TD1 forms)

You may have to ask your employees or your pensioners to complete a federal personal tax credits return using a federal Form TD1.

For more information, see Chapter 5, “Deducting income tax”, in guide T4001, *Employers’ Guide – Payroll Deductions and Remittances*.

Claim codes

The total personal amount an employee claims on a TD1 form will determine which claim code you use. See Chart 2 .

Explanation of claim codes

Claim code 0

This code represents **no claim amount**.

Claim codes 1 to 10

The claim code amounts do not appear on the federal TD1 form.

You match the “Total claim amount” reported on your employee’s or pensioner’s TD1 forms with the appropriate claim codes. Then, you look up the tax for the employee’s pay under the claim code in the federal tax tables for the pay period.

Indexing of federal claim codes amounts

The credits that apply to each claim code have been automatically increased in the tax tables by the indexing factor for the current year. If your employee did not complete the federal TD1 forms for 2016, you continue to deduct income tax using the same claim code that you used last year.

Chart 2 – 2016 federal claim codes

Total claim amount (\$)	Claim code
No claim amount	0
11,474.00	1
11,474.01 to 13,666.00	2
13,666.01 to 15,858.00	3
15,858.01 to 18,050.00	4
18,050.01 to 20,242.00	5
20,242.01 to 22,434.00	6
22,434.01 to 24,626.00	7
24,626.01 to 26,818.00	8
26,818.01 to 29,010.00	9
29,010.01 to 31,202.00	10
31,202.01 and over	X The employer has to calculate the tax manually
No withholding	E

Form TD1X, Statement of Commission Income and Expenses for Payroll Tax Deductions

If your employees want you to adjust their tax deductions to allow for commission expenses, they have to complete Form TD1X, *Statement of Commission Income and Expenses for Payroll Tax Deductions*.

You deduct tax from your employees' commission pay using the "Total claim amount" on their TD1 forms, in the following situations:

- if your employees do **not** complete a Form TD1X; or
- if they tell you in writing that they want to cancel a previously completed Form TD1X.

How to use the tables in this guide

Use the tables in this guide to determine the CPP contributions, EI premiums, federal tax, and provincial tax that you will deduct from your employees' remuneration.

CPP tables (Section B)

The annual basic exemption is built into the CPP tables.

Find the pages in Section B that correspond to your pay period.

To find the range that includes your employee's gross pay (this includes any taxable benefits), look down the "Pay" column.

In the shaded column next to the "Pay" column, you will find the CPP contribution that you should withhold from your employee's pay.

EI table (Section C)

Find the page in Section C that corresponds to the "Insurable earnings" of your employee.

To find the range that includes your employee's insurable earnings, look down the "Insurable earnings" column. When you use the table in this guide to determine the EI premiums, look up the insurable earnings for the period not the gross remuneration.

In the shaded column next to the “Insurable earnings” column, you will find the EI premium that you should withhold from your employee’s pay.

Federal tax deductions tables (Section D)

Even if the period of employment for which you pay a salary is less than a full pay period, you must continue to use the tax deductions table that corresponds to your regular pay period.

Find the pages in Section D that correspond to your pay period.

To find the range that corresponds to your employee’s taxable income (this includes any taxable benefits), look down the “Pay” column.

In the row under the applicable claim code, you will find the amount of federal tax that you should withhold from your employee’s pay (for more information, see the section called “Claim codes” and Chart 2).

Additional information about payroll deductions

Deducting tax from income not subject to CPP contributions or EI premiums

We have built the tax credits for CPP contributions and EI premiums into the federal and provincial tax deductions tables in this guide. However, certain types of income, such as pension income, are not subject to CPP contributions and EI premiums. As a result, you will have to adjust the amount of federal and provincial income tax you are deducting.

To determine the amount of tax to deduct from income not subject to CPP contributions or EI premiums, use the Payroll Deductions Online Calculator, available at www.cra.gc.ca/pdoc. On the “Salary calculation” and/or on the “Commission calculation” screen, go to Step 3 and select the “CPP exempt” and/or “EI exempt” option before clicking on the “Calculate” button.

Step-by-step calculation of tax deductions

You can use the following step-by-step calculations to calculate the tax deductions for any employee or pensioner who earns more than the maximum amounts included in the tax deductions tables.

The example shows you how to determine the amount of tax to deduct from all income.

However, if you design your own payroll program or spreadsheets to calculate tax deductions, do not use either of these calculations. Instead, see guide T4127, *Payroll Deductions Formulas for Computer Programs*.

Example

Tax to deduct for all income

This example applies to a person who earns \$1,100 weekly and contributes \$80 to a registered retirement savings plan (RRSP).

This person claims the basic personal amount.

Calculate annual taxable income

	Description	Sub-amounts	Amounts
(1)	Gross remuneration for the pay period (weekly)		\$ 1,100.00
(2)	Minus		
	the other amounts authorized by a tax services office	0.00	
	the RRSP contributions*	<u>80.00</u>	
		-	<u>80.00</u>
* This amount has to be deducted at source.			
* Note			
If you have an employee you paid by commission, subtract the total expenses reported on Form TD1X from the gross remuneration reported on Form TD1X if applicable.			
(3)	Net remuneration for the pay period (line 1 minus line 2)		\$ 1,020.00
(4)	Annual net income (\$1,020 × 52 weeks)		\$ 53,040.00
(5)	Minus the annual deduction for living in a prescribed zone, reported on the Form TD1		-
			<u>n/a</u>
(6)	Annual taxable income (line 4 minus line 5)		\$ 53,040.00

Calculate federal tax

	Description	Sub-amounts	Amounts
(7)	Multiply the amount at line 6 by the federal tax rate based on Chart 1.		× <u>0.205</u>
			\$ 10,873.20
(8)	Minus the federal constant based on the annual taxable income on line 6 (see Chart 1)		- <u>2,491.00</u>
(9)	Federal tax (line 7 minus line 8)		\$ 8,382.20
(10)	Minus the federal tax credits:		
	the total of personal tax credit amounts reported on the Form TD1	\$ 11,474.00	
	the CPP contributions for the pay period multiplied by the number of pay periods in the year (annual maximum \$2,544.30)*	2,544.30	
	the EI premiums for the pay period multiplied by the number of pay periods in the year (annual maximum \$955.04)*	955.04	
	the Canada employment credit (annual maximum \$1,161.00)	<u>1,161.00</u>	
	Total	\$ 16,134.34	
	* Note When the maximum CPP contributions or EI premiums for the year is reached, use the maximum amount for later calculations		
(11)	Multiply the total on line 10 by the lowest federal tax rate for the year.	× <u>0.15</u>	
(12)	Total federal tax credits	-	<u>2,420.15</u>
(13)	Basic federal tax (line 9 minus line 12)		\$ 5,962.05
(14)	Additional federal tax for income earned outside Canada 48% of the amount on line 13		<u>2,861.78</u>
(15)	Total federal tax payable for the year (line 13 plus line 14).		\$ <u>8,823.83</u>

Calculate total tax and the tax deduction for the pay period

	Description	Sub-amounts	Amounts
(18)	Tax deduction for the pay period: Divide the amount on line 15 by the number of pay periods in the year (52).		\$ <u>169.69</u>

Your opinion counts!

If you have any comments or suggestions that would help us improve this guide, we would like to hear from you. Send your comments to:

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